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The main points

PAY: 5 per cent total for settlements, excluding productivity.

PRODUCTIVITY: deals must be self-financing, as must reductions of hours. Pensions, sick pay and job security improvements still exempt from limit.

FLEXIBILITY: "kitty" bargaining within 5 per cent to correct anomalies. A few "special cases," with prior approval.

LOW PAY: increases above 5 per cent allowed to reach earnings of £44.50 a week.

DATES: existing settlement dates to be respected, with possible exceptions, to rationalise bargaining units, provided cost is within 5 per cent.

PRICES: individual and sectoral investigations to continue.

DIVIDEND CURBS: proposed extension of statutory control, with some relaxation, to July 31, 1979. Normal limit of 10 per cent increase a year to continue, except that companies could pay out more in line with higher profits. No company would be required to increase the earnings cover for its dividend above the highest level since control began in 1972.

UNION LEADERS COOL TO STAGE FOUR LIMITS

Ceiling of 5% on pay increases

BY CHRISTIAN TYLER and RUPERT CORNWELL

A 5 PER CENT ceiling on pay increases is to be the main plank of the Government's stage four incomes policy.

It was also announced that a short Bill prolonging *statutory control of dividends* though with one relaxation is to be introduced on Thursday *despite the strong probability of its defeat in the Commons* because of Liberal opposition.

In a formal statement, the Liberals said they would oppose the dividend measure.

The 5 per cent guideline, which the Government says gives negotiators some freedom, means that companies will be expected to keep the total earnings rise, including known wage drift, of each group of employees within this limit. There is no extra allowance for the general correction of problems such as compressed *differentials* of the higher paid.

Only one pay figure is mentioned in the White Paper, Winning the Battle Against Inflation, published yesterday. But the Chancellor is allowing another 2 per cent for unidentifiable and unpredictable wage drift, the treatment of a few special cases and increases in earnings because of self-financing productivity schemes.

The Government's overall aim is to cut the national *average earnings rise to half* the 14 per cent figure expected for stage three, which ends next week.

Union leaders almost without exception said yesterday that the pay guideline was too narrow to win shop-floor acceptance. A considered, and probably muted, TUC judgment will emerge from Wednesday's general council.

Support

The pay proposals, which are likely to dominate the forthcoming election campaign, won the support of most Labour MPs and the Liberals last night, but were opposed by the Tories and some Left-wingers.

The Government announces in the White Paper its hopes of annual agreements on a pay norm between Government, unions and employers and says stage four permits a transition to such longer-term reform of collective bargaining.

Mr. Denis Healey, Chancellor, said he would be examining the idea with the TUC and Confederation of British Industry in the coming year. He had in mind something along the lines of the West German system of a centrally negotiated norm.

Announcing the White Paper to the Commons yesterday, Mr. Healey said the standard of living had risen 5 per cent for most people during stage three. Later, he said there could be another 2½ per cent average rise *in* the coming round, with lower paid workers with children benefiting most.

If the strategy worked as intended, the Chancellor believes that the inflation rate could be lower than the current figure of 7.4 per cent by the end of next year and unemployment could be falling at a faster rate.

He admitted that it had been a mistake last year to set a 10 per cent target for the national rise in earnings, since that had become a floor for settlements. The 5 per cent settlement rate should be sufficient to correct pay problems if employers were determined to distribute the available sum in the right way.

A hope

In effect, the policy means basic rate settlements of less than 5 per cent for many industrial workers, even though individuals can be paid a range of increases under the kitty bargaining formula.

In most other respects, stage four will be like its predecessor, including the machinery of sanctions against offenders and monitoring of settlements, even though the Confederation will attempt to soften the wording on public sector contracts. The so-called 12-month rule is this time expressed merely as a hope that existing settlement dates will be honoured.

But companies with severely fragmented bargaining units, such as BL, formerly British Leyland, will be allowed to synchronise in-company settlement dates provided the cost does not exceed the guideline.

The Government refers to the TUC's campaign to reduce the working week without loss of pay but says such deals must not increase labour unit costs.

There was significant scope for extra jobs instead of overtime working but a one-hour cut in the 40-hour standard week could cost as much as 2½ per cent, the White Paper says.

Other highlights of the strategy are specific exemption from the 5 per cent guideline for those low-paid workers who, even after a 5 per cent rise in this round, would not reach earnings of £44.50 a week. The Government expects the higher paid to accept this narrowing of differentials.

The White Paper refers to the special treatment already promised to firemen, police, doctors and others. A small number of other groups may get similar treatment but only after clearance from the Department of Employment or sponsoring Ministries.

The awards already promised will add 0.15 per cent to the average earnings index next year and the year after.

Exemption

Mr. James Callaghan, Prime Minister, said in south Wales that the White Paper was designed as the best way to give the British people a good standard of living. "Inflation eats away at your jobs, eats away at the structure of your organisations and eats away at Society."

Mr. Albert Booth, Employment Secretary, said that potentially 1½m workers could qualify for the low-pay exemption. If they all achieved it, that would add ½ per cent to the earnings index.

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NEWS SUMMARY

GENERAL

Spanish officers shot dead

Assassins shot dead a Spanish general and his aide in a Madrid street yesterday, in what was believed to be a bid to disrupt the country's progress to full democracy.

Artillery General Juan Sanchez Ramos Izquierdo, 64, and Lieutenant Colonel Juan Perez Rodriguez, 59, were the first army officers to be assassinated in Spain since the 1936-39 civil war.

The killers, two men and a woman, fled in a stolen taxi and later commandeered another car at gunpoint. Both vehicles were found abandoned and police said that they had made arrests. Back Page

Murder charge

Six South African policemen and two civilians have been charged in Johannesburg with the murder of a 25-year-old black detainee about four months ago.

Siege declared

Bolivia's military Government declared a state of siege, after an uprising by supporters of the conservative candidate in this month's abortive presidential election. Page 2

Boxer dies

Italian boxer Angelo Jacopucci died last night of a brain haemorrhage after being knocked out in a European title fight by Britain's Alan Minter.

Flights hit

Holidaymakers bound for Spain, Majorca and Portugal were delayed for up to six hours at British airports after French air traffic controllers resumed industrial action.

Appeal rejected

A Thai court turned down an appeal by British nurse Rita Nightingale against a 20-year jail sentence for attempting to smuggle heroin out of Thailand. A prosecution appeal for a heavier sentence was also rejected.

Irishmen held

Four of the six Irishmen detained by police at Heathrow Airport under the Prevention of Terorism Act earlier this week were last night being questioned by Special Branch officers. Two of the men have been released.

Talks resumed

China and Japan have reopened talks for a peace and friendship treaty, suspended in 1975 after stalling over China's insistence on including a clause condemning colonisation. Page 2

Briefly . . .

TV personality Hughie Green was banned from driving for three years and fined £250 at Guildford for drink-driving offences.

French holidaymaker who brought his cat to Britain was fined £400 with £52 costs by Solihull magistrates for breaking anti-rabies regulations.

Pilot had to organise a cash collection among passengers when an Azores airport refused to refuel his plane on credit.

American and Canadian authorities are looking for three West Germans, believed to be members of the Baader-Meinhof guerrilla group.

BUSINESS

Equities up 8.8; £ rises 70 points

● EQUITIES responded sharply to the Government's White Paper on future pay guidelines and dividend policy. FT 30-share index gained 8.8 to 479.2, an improvement of 23.6 on the Account. Gold Mines index was 4.3 up to 175.0, its highest since June 1976, and a gain on the week of 14.4.

● GILTS shorts improved by up to ½. Government Securities Index rose 0.08 to 70.78.

● GOLD rose $2¼ to $191¾.

● STERLING rose 70 points to $1.9110, its best level since March, and 2.85 cents up on the week. Trade weighted index was 62.7 (62.5). Dollar's depreciation was 8.0 (7.9) per cent.

● WALL STREET closed 5.20 down at 833.42.

● BRITAIN'S chances of joining the European Airbus consortium seem to have increased, after talks between Industry Secretary Eric Varley and his French and West German counterparts. Back Page

● U.S. ECONOMY showed its strongest growth in two years during the second quarter, but inflation was the highest for three years. Page 2

Pearson £39m shares offer

● S. PEARSON is offering £39m in shares and cash to buy the 36 per cent of its publicly-quoted newspaper and publishing subsidiary, Pearson Longman, that it does not already own. Back Page

● BP is to spend £102m to increase its stake in coalmining and another £13m on chemical industry acquisitions. Back Page

● DISTILLERS is to increase the UK wholesale prices of gin, vodka, and most brands of Scotch whsky. Retail price of a bottle of Scotch is expected to rise 10p. Page 3

● POST OFFICE is to cut the unit cost of running its telecommunications business by 5 per cent a year over the next five years. The price charged to the customer should rise less rapidly than prices in the economy as a whole. Page 3

COMPANIES

● LLOYDS BANK first-half pre-tax profits were, at £76.5m, 15 per cent down on the £90.1m profits for the first half of last year, but almost unchanged from the £76.13m recorded for the second half. Back Page, Page 16, Lex

● NEGRETTI and Zambra plans to raise £1.56m by a £460,000 rights issue of one-for-five 9 per cent redeemable preference shares. The NEB is buying a similar amount and subscribing for 960,000 deferred ordinary shares at 74p. Page 16

● MINSTER ASSETS is selling for £2.875m British Midland Airways, its wholly-owned subsidiary to a group of three executive directors of the airline and a U.S. private investor. Page 16

CBI calls conference on contract sanctions

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MAJOR COMPANIES that do business with the Government are being called to an emergency conference in London next week by the Confederation of British Industry to decide how hard they should fight against the new 5 per cent pay limit being enforced through public-sector contracts.

This issue of pay sanctions is specially sensitive because companies dislike having to accept legally binding clauses in their Government contracts that state they will operate the pay limits in their businesses.

Companies are specially concerned about giving such legal pledges in advance when it is not yet clear how militantly union negotiators will try to exceed the 5 per cent during the coming months.

The fact that the Government has no intention of backing down, and that CBI leaders were pleased with some parts of yesterday's White Paper, may help to defuse the issue.

Industrialists yesterday welcomed the Government's restrictions on cuts in the working week, and the Chancellor's willingness to discuss during the coming year how a long-term reform of pay bargaining could be developed.

They saw some advantages in the limited flexibility allowed by the White Paper, although organisations such as the British Institute of Management and the Institute of Directors said that not enough was being done to restore pay differentials and increase incentives.

Mr. John Greenborough, president of the CBI, indicated that companies' willingness to accept Government contract clauses would partly depend on how positively the TUC General Council reacted when it studied the White Paper next Wednesday.

"It will require the whole-hearted and explicit support of the trade unions if employers are to achieve in the coming 12 months settlements within the guidelines."

Enforcement

Mr. Greenborough added that the CBI opposed extension of statutory dividend control. He hoped that the Government's new Bill would fall next week.

One possibility being considered by Ministers is that the pay sanctions and contract clauses system might be extended to hit those companies which exceeded the dividends limits if the Government lost its Bill and had to find some new method of enforcement.

If this were to happen it would transform talks the CBI is to have with the Government over detailed wording of contract clauses into a major confrontation.

This is because it would confirm industrialists' worst fears that once the sanctions had been shown to work on pay limits, Ministers would be tempted to use them for other purposes.

The impact of the present Phase Three pay limit was shown last night when the CBI "pay data bank" reported that 87 per cent of 1,535 pay settlements covering 14m workers had added 10 per cent or less to companies' employment costs. A further 12 per cent fall into the 11 to 15 per cent range.

Of 553 productivity deals logged by the data bank, more than half have been concluded on top of a basic Phase Three deal giving earnings increases of 5 to 10 per cent to some 1m workers.

The data bank reported that that 12-month rule on spacing of pay settlements had held across industry and that pressure to break it now seemed "insignificant."

Statutory backing sought for dividend control

BY MARGARET REID

THE GOVERNMENT hopes to secure statutory backing for an extension of dividend control for a year until July 31, 1979, through the new Dividends Bill, published yesterday.

At the same time, it announced one relaxation in the present regime.

The Government's plan is that the present limitation of dividend increases to 10 per cent a year should continue, with the usual exceptions in cases of rights issues and takeover bids. The important innovation is that companies would be able to raise their dividends by more than 10 per cent, provided the increase was in step with the rise in profits. No company however, would have to let the earnings cover for its pay-out rise above the highest level since controls began.

The purpose of this planned relaxation is to allow companies with a strongly progressive profit record to let their earnings be reflected in the distribution to shareholders. Such companies are often reluctant to take advantage of the existing exceptions to the dividend rules for those launching cash-raising rights issues, since they have no need to obtain extra money.

Share prices advanced over a broad front and the FT 30-share index closed 8.8 up at 479.2. Shares of companies with well-covered dividends were prominent, GEC rising 6p to 272p and BP gaining 22p to 878p, while ICI ended 5p higher at 388p.

Gilt-edged securities were firm on Thursday's encouraging money supply figures, short-dated stocks adding up to ½, while the longs showed rather smaller gains. The long tap, Exchequer 12 per cent 2013-17, finished ¾ higher at 96½, after substantial sales had been made by the Government Broker for the second day running. Supplies of this stock are expected to be exhausted by early next week.

The Treasury is planning to make a statement, probably on Monday or Tuesday, giving details of the proposed revised dividend controls.

Mr. Denis Healey, Chancellor of the Exchequer, was asked yesterday whether, if the new Dividends Bill failed to become law, the Government would seek to extend dividend curbs on a voluntary basis, and, were it to do so, with what sanctions, if any.

He replied: "We do not contemplate the Dividends Bill not becoming law. I am not going to discuss any alternatives we might use."

It is, however, widely expected that, should the Bill fail to pass, the Government would somehow seek to enforce dividend restraint, notwithstanding the lack of statutory backing.

RECENT HISTORY OF DIVIDEND CONTROL

Date	Normal max. div. increase per cent annually
July 1966	Zero
July 1967	Voluntary restarint
July 1968	3.5
January 1970	No limit
Nov. 1972	Zero
April 1973	5.0
August 1974	12.5
August 1975	10.0
August 1978 (proposed)	10.0, but divs. may, subject to certain conditions, rise in line with earnings.

NEB confirms go-ahead for microprocessor plan

BY JOHN LLOYD

THE National Enterprise Board is to invest £25m in a new company that will attempt to rival leading Japanese and U.S. companies in making advanced integrated circuits. A further £25m has been approved for use by the company later in its development.

The company, INMOS, will manufacture and market microprocessors and the latest, still experimental, microcomputer memory, the 64K RAM.

Initial research and development of the memories will take place in the U.S., where a prototype production line will be set up and about 1,000 jobs will be created. Later, volume production of the memories and of microprocessors will be centred in the UK, with an estimated 4,000 jobs. The company's head office will be in the UK.

The initial concept belongs to two American electronics engineers, Dr. Richard Petritz and Dr. Paul Schroeder. The third founder of INMOS is Mr. Iann Barron, a British electronics consultant.

The NEB's investment will be in ordinary and convertible preference shares.

The board said yesterday: "To attract the necessary calibre of experienced staff into INMOS, key employees will have the opportunity to purchase ordinary shares in the company. When investment in the company reaches the level currently envisaged, the founders and the future employees could hold up to 27.5 per cent of the voting shares of the company."

The founders will receive no profits until the board's investment has been covered and the company *is* making substantial profits.

Dr. Petritz and Dr. Schroeder, who over the past year developed the concept of a company manufacturing the most advanced integrated circuits, approached the NEB first because it was proving increasingly difficult to attract venture capital in the U.S.

The company had to have a substantial U.S. base. Much of the skill required to develop the new technologies was there, and the U.S. is the largest market for the memories. The products of the new companies would need to sell worldwide for the company to succeed.

Mr. David Dunbar, head of the NEB's electronics division, said the technology was changing greatly and INMOS was entering it early.

Asked about the recent report from the National Economic Development Office that emphasised the risk of starting a new company in the volume integrated circuit market, Mr. Dunbar said he did not share the report's pessimism.

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£ in New York

—	July 21	Previous
Spot	$1.9135-9155	$1.9075-9085
1 month	0.53-0.48 dis	0.55-0.50 dis
3 months	1.36-1.31 dis	1.35-1.29 dis
12 months	4.95-4.75 dis	4.85-4.65 dis

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
Treasury 9½pc 1983	£92½	+ ½
Assoc. Dairies	245	+ 17
BTR	307	+ 17
Bell (A.)	248	+ 14
Boots	210	+ 7
Bourne & Hingswth.	118	+ 10
Boustead	60	+ 5
Brown (J.)	412	+ 14
Brown & Jackson	152	+ 8
Debenhams	94	+ 6
Dowty Intl.	236	+ 6
European Ferries	136	+ 5
Fogarty (E.)	135	+ 10
GEC	272	+ 6
GUS "A"	292	+ 12
ICI	388	+ 5
ICL	330	+ 14
Leisure Caravan	138	+ 8
London Tst. Defd.	112	+ 10
Lucas Inds.	316	+ 11
Marks and Spencer	162	+ 8
Minster Assets	63	+ 5
Mothercare	174	+ 8
News Intl.	268	+ 13
Ransom (Wm.)	210	+ 15
Rosehaugh	200	+ 15
Spooner Inds.	94	+ 7
Stock Conversion	258	+ 4
BP	878	+ 22
Bertam Cons.	118	+ 11
Cons. Gold Fields	186	+ 6
Conzinc Riotinto	252	+ 6
East Daggafontein	35	+ 6
Kinross	426	+ 30
President Steyn	848	+ 88
FALLS:		
Lloyds Bank	265	− 8
Unilever	528	− 8

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OVERSEAS NEWS

Rise in U.S. GNP disappointing for the White House

BY DAVID BUCHAN WASHINGTON, July 21.

THE U.S. economy grew at an annual rate of 7.4 per cent in the second quarter of 1978, according to the Commerce Department's preliminary esti- released today.

While this was the biggest jump in the GNP since the 9.3 per cent increase recorded in the first three months of 1976, the figures must come as a disappointment to the Carter Administration economists who had been hoping for 8 to 9 per cent growth between April and June this year.

The increase in GNP follows a fall of 0.1 per cent in the first three months this year. This was due to the protracted national coal strike and freezing weather *which slowed economic activity.*

The Secretary of Commerce, Mrs. Juanita Kreps, admitted that the Administration's latest projection for 1978 overall growth of 4.1 per cent now looked too optimistic, and that the second quarter was probably not good enough to compensate for the slowdown that everyone expects to occur in the third and fourth quarters. It may also affect the target of 4.3 per cent. GNP growth that Mr. Carter's economists had set for 1979.

The Commerce Department also reported that *inflation*, as measured by the GNP price deflator, rose at an annual rate of 10.1 per cent in the second 1978 quarter, as against 7.2 per *cent in the first three months.*

The Administration had been hoping that consumer prices would only go up by 7.2 per cent this year. With the latest unemployment figures bringing the jobless rate down to 5.7 per cent, curbing price increases now becomes a priority for the Administration.

President Carter sought last night at a Press conference to defend his Administration's current voluntary anti-inflation programme.

He stressed the importance of trimming back federal budget deficits next year and in 1980—moves which would take pressure off interest rates. He reiterated his plan to curb the pay of federal civil servants, claimed that appeals to business and labour had had some success and called once again on Congress to take action on energy conservation legislation, hospital costs and other measures that could stem inflation.

Stewart Fleming writes from New York: *The evidence that in*flation had hit double digit levels in the second quarter coincided this morning with a growing conviction on Wall Street that the Federal Reserve has indeed tightened credit—albeit slightly—in the wake of the Tuesday meeting of its Open Market Committee, the Fed's monetary policy arm.

Again this morning the Central Bank waited until the interest rate on federal funds that reserves banks lend each other, had risen to 8 per cent before adding funds to the money market. The conclusion most money market analysts have reached is that the Fed has raised its average federal funds target rate at a modest ¼ percentage point to 7¾ per cent.

According to Mr. William Griggs of J. Henry Schroder Bank and Trust in New York, this modest increase reflects the divisions within the Fed about the outlook for the economy and inflation.

Bolivian military uprising in support of general

BY HUGH O'SHAUGHNESSY

BOLIVIA'S MILITARY Government has declared a state of siege following an uprising in favour of the conservative nationalist General Juan Pereda which was reported from the city of Santa Cruz on Thursday night. The Government said the state of siege was aimed at ensuring peace and guaranteeing civil liberties.

Nationalist militants, reportedly backed by troops from a Santa Cruz air base, were reported by Reuter in La Paz, to have stormed three radio stations in Santa Cruz while other nationalist commandos attacked radio stations in Cochabamba, the second city of Bolivia. The right wing Bolivian Falangist Party is supporting the rising.

General Pereda was a candidate for the presidency in the general elections of July 6. He received a great deal of government assistance and at one time claimed victory in the poll but the elections were annulled on Wednesday night by the National Electoral Court after evidence had been produced of widespread fraud in favour of the Pereda candidacy.

The insurgents, who appear to be in control of Santa Cruz, have called for General Pereda to be confirmed as president. The court has ordered new elections within six months.

Santa Cruz is a centre of a strong conservative political *group, which has in the past* supported the presidential candidacy of General Pereda and has also taken every opportunity of demonstrating its indepen*dence of La Paz, the administra*tive capital of Bolivia.

There is no evidence to show, however that General Pereda received wide popular support *in the Santa Cruz department* at the July 9 poll.

In a confused political situation the key to the future is, as on many other occasions in the past, with the armed forces. General Hugo Banzer, the incumbent president, has said that he still intends to surrender the presidency as originally scheduled on August 6.

Carter hint on dissidents

BY DAVID BELL WASHINGTON, July 21.

PRESIDENT CARTER came close to hinting last night that the U.S. is now involved in talks which could lead to the release of two Soviet dissidents sentenced to long prison terms in Russia last week.

Asked about reports that such talks are already under way, Mr. *Carter would say only that it* would not be "appropriate" for him to discuss any efforts that might be being made on behalf of Mr. Anatoly Shcharansky or Mr. Alexander Ginzburg. However, answering another question, the President acknowledged that "we would like to see the prisoners released" adding that he could not "go into that now."

At several points, Mr. Carter went out of his way to be conciliatory towards Moscow saying that he had no intention of starting a "vendetta," insisting that the administration would still like to improve U.S.-Soviet trade and noting that the U.S. had no *intention of interfering in inter*nal Soviet affairs.

Even when be criticised the Soviet Union for failing to live up to the provisions of the Helsinki agreement. *Mr. Carter* also said: "I might add very quickly that the Soviet Union is not the only country guilty of that."

Post agreement reached

BY JOHN WYLES NEW YORK, July 21.

PROCLAIMING THAT honour had been satisfied on both sides, management and unions of the U.S. Postal Service completed negotiations at 4 am *this morn*ing on a tentative contract which removes the threat of unofficial stoppages.

The existing contract expired *at midnight last night but in a* time-honoured negotiating ritual the two sides stopped the clock and eventually emerged with a proposed three year agreement *which broadly satisfied every*one's minimum requirements, including President Carter's. The mix of direct wage increases and possible cost of living rises *brings the probable total of pay* rises over the three years to around 19.5 per cent which is substantially lower than the coal strike settlement in March and not greatly in excess of what the White House had hoped to see.

In particular, the President had hoped that the independent postal service would avoid con*ceding rises substantially higher* than the 5.5 per cent which will be given to federal employees this year. The postal pay increases average out at around *6.5 per cent a year* and the tentative agreement should enable the Administration to claim that its fragile pay and price restraint policy has not been *significantly* breached.

Soviet industry output up

BY DAVID SATTER MOSCOW, July 22.

SOVIET INDUSTRIAL production rose 5.2 per cent. during the first half of 1978, an improvement over the modest plan target which was 4.5 per cent, but below the pace of last year when industrial production increased 5.7 per cent.

Figures released today by the Soviet Central Statistical Board showed that labour productivity grew 3.8 per cent during the first *six months* of 1978, accounting for almost three-quarters of the increase in production.

The Soviet Union is now at the half-way point of the Tenth Five-Year *Plan but the figures only* confirm that the Soviet economy, which last year showed the lowest annual increase in national income since at least 1951, will have a difficult time fulfilling it.

A spokesman for the Statistical Board said that all Soviet Ministries achieved their plan targets. But the figures show a slowing down in the second quarter of 1978 compared with the first, *when industrial* production rose 5.5 per cent.

Figures for Soviet energy production indicate that critical oil, gas and coal production continues *to increase but* at slower rates than in 1977. Oil production, including gas condensate, totalled 268m tonnes during the first half of 1978, a 4 per cent increase over the first half *of 1977 but* below the overall 1977 rate of increase over 1976 which was 5 per cent.

Japan and China in new bid for peace treaty

BY CHARLES SMITH, FAR EAST EDITOR TOKYO, July 21.

NEGOTIATIONS ON a proposed Treaty of Peace and Friendship between Japan and China were resumed this afternoon in *Peking after a break of more* than three years. The re-opening of talks took the form of a meeting between the Chinese Foreign Vice-Minister, Mr. Han Nien-*lung, and the Japanese Ambas*sador to China, Mr. Shoji Sato.

Working level talks will continue between the two men, after which, if satisfactory progress is achieved, the Japanese Foreign Minister, Mr. Sonoda, will go to China to wrap up the negotiations.

The main issue of the other*wise simple talks* is whether Japan and China can agree on the phrasing of a clause condemning the exercise of "hegemony" by third countries in Asia. The so-called "anti-hegemony" clause appears in the draft text of the treaty at the insistence of China, which understands the clause as being directed against the Soviet Union. Japan's problem is to negotiate a form of wording which will enable it to claim that in Japanese eyes the clause is not specifically directed against anyone.

The Japanese Prime Minister, Mr. Takeo Fukuda, told journalists recently that the treaty talks will run smoothly provided China understands that Japan is entering the discussions as part of its "all-directional peace diplomacy." China may permit the insertion of some form of words into the treaty expressing this Japanese understanding. But apparently it will not agree to a rider to the anti-hegemony clause disclaiming any reference to individual countries.

The treaty will be the last in a series of agreements signed between China and Japan in the past five years in accordance with a provision of the 1972 document under which the two nations normalised their diplomatic relations.

One of the issues at the time of normalisation was how to handle the problem of the existing Japanese peace treaty, to which the Naionalist Chinese regime on Taiwan is signatory. Japan was reluctant to scrap the treaty with Taiwan or to nullify it by negotiating a fresh peace treaty with Peking. The Peace and Friendship Treaty was suggested as a way round these problems.

The Soviet Union has made repeated protests to Japan about the China treaty, which it sees as an attempt to align Japan with Peking in the latter's dispute with *Moscow*. Japan has replied that the talks with China are strictly bilateral and do not concern any other country. Despite this official position there seems *little doubt* that Japan would like to find some corresponding way of improving its relations with Russia.

The most obvious move would be to *complete the* long-suspended negotiations on a Russo-Japanese peace treaty, which are still pending from the end of World War II. The problem is that Japan *has vowed not to sign* a peace treaty with Russia until the return of four small islands immediately north-east of Hokkaido, which were occupied by the Soviet Union in the *closing* days of the war. The Soviet position on the territorial issue is that it is "already settled." In other words Moscow is firmly opposed to the return of the four islands.

The treaty talks with China take place at a time when economic relations between the two countries are progressing rapidly. A Japanese oil mission is currently visiting Peking to discuss the possibility of co-operation in the development of China's offshore oil fields. Another recent development was the expression of a Chinese desire to raise private loans in Japan. These could be a pointer to a rapid expansion in business relations—assuming the treaty talks go smoothly.

Security changes in S. Africa

By John Stewart

CAPE TOWN, July 21.

THE COMMISSIONER of the South African police, General Mike Geldenhuys, announced in Pretoria today that the chief of the security police in Port Elizabeth, Colonel P. J. Goosen, is to be transferred to a *different post in another area*. He made the announcement on the instructions of the Police Minister, Mr. James Kruger.

General Geldenhuys an*nounced drastic staff changes* in the Port Elizabeth security branch, in whose custody the former Black Consciousness leader Steve Biko received mortal injuries in detention last year. Last week a 20-year-old African detainee, Mr. Lungile Tabalaza, died after a fall from the fifth floor of the local security police headquarters, where he had been taken for questioning. Steel bars have now been fitted to the windows of the floors occupied by security police in Port Elizabeth.

General Geldenhuys said in his statement that the Port Elizabeth security police may not have adhered to strict instructions on the safety of detainees. As a result, Colonel Goosen will be relieved of security branch duties in Port Elizabeth and transferred elsewhere.

An additional senior post would be created in the Inspectorate at police headquarters in Pretoria, said General Geldenhuys, *to take responsi*bility for security matters throughout the country.

He added: "These steps are purely administrative and a *statutory inquest into the* death of Mr. Tabalaza will be held as soon as possible, after completion of which it will be decided whether any further *steps should be taken.*"

A total of 10 South African policemen have been suspended from duty in Natal and the Orange Free State provinces, *arising from the death of two* Africans in police custody.

Black jobless still rising

By Bernard Simon

JOHANNESBURG, July 21.

A PRIVATE survey of unemployment in South Africa has estimated that over 1.3m blacks, or approximately 20 per cent of the economically active black population, are currently out of work. This estimate is more than double the most recent official figure of 634,000 for October 1977, issued by the Department of Statistics.

Although other private researchers have recently put the black unemployment figure at well above the 2m mark, the latest survey, *conducted* by Intercontinental Marketing Services Africa, is reported to be the most extensive yet undertaken by a non-government organisation.

The rate of retrenchment appears to have slowed since the economy started picking up early this year, but the high level of black workers entering the labour market (estimated at about 150,000 a year) has meant that the number of jobless has continued to increase.

Dayan may back changes in Israeli peace strategy

BY DAVID LENNON TEL AVIV, July 21.

THE CABINET will hold a major political debate on Sunday at which Mr. Moshe Dayan, the Foreign Minister, is expected to recommend changes in the Israeli peace plan to improve the chances of reaching agreement with Egypt.

Mr. Dayan believes that the prospects for peace are better than ever following his meeting this week with Mr. Mohammed *Ibrahim Kamel, the Egyptian* Foreign Minister, at Leeds Castle in Kent.

If the two sides are prepared to amend their positions, Mr. *Dayan believes it will be possible* to considerably broaden the areas of agreement, which have emerged about the future of the West Bank and the Gaza Strip.

There is a measure of agreement about placing the occupied territories under a transitional rule, abolishing Israel's military government, and the need for an Israeli security presence in these areas, according to the Foreign Minister.

However, a great deal more negotiating will be required to bring the sides together, he noted, especially as there is still a wide gap on the question of the future sovereignty over these two occupied areas. Egypt is demanding Arab sovereignty for the West Bank and Gaza Strip, while Israel has rejected this idea.

Officials in Jerusalem were taken aback by President Sadat's demand yesterday for *new* Israeli ideas before further talks could be held. But they recalled that he had dropped similar demands when agreeing to meet *Mr. Ezer Weizman, the Defence* Minister, and to send his Foreign Minister to Leeds Castle.

The Cabinet will discuss the report of the two Ministers and examine possible areas of compromise on the West Bank/Palestinian issue. It will also review a proposal to return the northern Sinai town of El Arish to Egyptian civilian administration as a gesture towards President Sadat.

But there is considerable *opposition* within the Cabinet to making any unilateral concessions. Any Israeli gesture would have to be matched by an Egyptian concession, in the opinion of Mr. Dayan and some other ministers.

The Cabinet will also discuss the visit to the region next week of Mr. Alfred Atherton, the roving U.S. ambassador. *He will* try to lay the basis for the next round of talks which Mr. Cyrus Vance, the U.S. Secretary of State, has suggested be held in *two weeks time.*

A number of sites are being considered for the projected meeting. El Arish or a U.S. early warning station at Um *Hasheiba in the Sinai* demilitarised zone have been mentioned. Mr. Atherton is expected to choose the final site after consultations with the parties.

Our Foreign Staff writes: **Mr.** Mohammed Ibrahm Kamel, Egyptian Foreign Minister, left London yesterday expressing some doubts over whether there *would be another round of talks.* He said: "We must now await the outcome of General Dayan's report to the Israeli Government on Sunday and hope that they will come out with some new proposals."

Mr. Kamel explained that the Egyptian delegation had come to Britain for the meeting at Leeds *Castle at President Jimmy* Carter's invitation to clarify its position. "We answered all their questions they saw fit to ask but saw that the Israeli side were *still sticking to their old* positions.

"The trouble is that the positions are totally opposite. While we want (UN Security Council) Resolution 242 to be initiated, Israel still insists on the occupation of Gaza and the West Bank and infringing the rights of the Palestinians." Nevertheless, the *talks* at Leeds Castle "were of great significance," he added.

Special OPEC meeting unlikely

BY RICHARD JOHNS

NO EXTRAORDINARY conference of the Organisation of Petroleum Exporting Countries is likely to be held before the end of 1978 to raise oil prices to compensate for the decline of the dollar.

Saudi Arabia and Iran have apparently decided not to accept the recommendations of the special OPEC committee which met in London last weekend and want to delay any action until the next ordinary ministerial conference scheduled to take place in Abu Dhabi in December.

This was implied clearly yesterday by Sheikh Ali Khalifa al Sabah, Kuwaiti Minister of Oil, chairman of the committee of 30 experts.

Speaking to reporters on his return home Sheikh Ali confirmed that the committee had agreed on pegging prices to a basket of currencies to offset the depreciation of the dollar, the means of payment for oil. It had also concluded that such a linkage would help stabilise currency rates in general as well as the purchasing power of revenues.

However, be added that the meeting was "entirely devoted to finding effective means for protecting oil income" and that it did not discuss a price increase.

As chairman of the committee, Sheikh Ali was empowered to call an extraordinary conference to take remedial action to compensate for the erosion of purchasing power. But this depended on a measure of consensus amongst memebers that action should be taken.

However, after the special committee had met he is believed to have consulted with Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, and Dr. Mohammed Yeganeh, Iran's chief delegate to OPEC, who both said that their Governments were against adjusting prices to compensate for the dollar's decline for the time being.

Italy boosts payments surplus

BY DOMINICK J. COYLE ROME, July 21.

ITALY HAD *a surplus of* L735bn ($865m) last month on balance of payments account, the highest monthly total since October, and all indications suggest that the final result this year should at least equal the $3bn surplus achived in 1977.

Provisional June figures avail*able here today give a first half* surplus in the current year of L2,417bn ($2.8bn), compared with a deficit in the January-June period the previous year of *L1,726bn ($2bn).*

The principal explanation is the relatively low level of import demand over the past year, *resulting from the near recession* in the economy, although some recent indicators suggest that the recession may be bottoming out. Accordingly, any significant restocking over the coming months, before the start of the tourist season, could reverse the pattern of payment surpluses.

The June outcome, taken in conjunction with adjustments to the overall level of foreign borrowings by the Italian banking system, leaves the total reserves of the Bank of Italy, including gold holdings, at an *exceptionally high L19,300bn, or* $22.7bn.

Hence, Sig. Filippo Maria Pandolfi, the new Italian Treasury *Minister, will have an encourag*ing report when he briefs his EEC colleagues at next Monday's Council of Finance Ministers meeting in Brussels.

He is expected to outline his 1979 Budget proposals and the concern both here and in Brussels is with the rapid escalation of the enlarged public sector deficit, put tentatively at a massive L43,000bn ($51bn), on the basis of unchanged policies.

The International Monetary Fund and the EEC are understood to have asked that this *figure be cut back to an absolute* maximum of L35,000bn as a precondition for new loans or stand-by credits.

WEATHER AND WORK IN GERMANY

Seeking a healthier business climate

BY GUY HAWTIN IN FRANKFURT

EVERY WEEKEND—rain or shine, summer and winter—thousands of Frankfurt residents lace on stout walking shoes and head for the Taunus Mountains some 15 miles from the city. This lemming-like exodus is certainly no reflection of a fashionable keep fit craze. It has gone on for years and is prompted by the simple human need for a breath of fresh air.

People who live in British cities, including London, may *complain about the weather* but can have no conception of how it dominates life—in Central and Southern Germany. In Britain the climate is usually temperate and, most important of all, the air is fresh. But not so in Central Germany, where climatic inversions frequently pen stale air in the valleys where most cities and towns are built. Nor it it so in Bavaria where the "Foehn"—a climatic condition caused by the wind—frequently gives the population splitting headaches.

Many foreign businessmen here, especially those who have lived a long time in Germany, believe that the climate—or the weather—has a profound effect on business performance. A leading British banker in Frankfurt told me: "Certainly the climate affects business. When we have a climatic inversion the error *content in work shows a marked* increase. People get aggravated with one another and the number of rows and arguments are disproportionately high.

Even our computer starts to play up during a tief druck (climatic inversion). I tend to believe that this is generally a matter of human error. But, on the other hand, computers are notoriously sensitive to climate. After all one has to keep them in air-conditioned offices."

The West German medical profession has certainly been well aware of the problems posed by the weather. For many years the country's meteorological service has provided hospitals with advice on whether or not climatic conditions are suitable for serious operations.

My own doctor, himself the image of a calm, unflurried general practitioner, told me: "There is nothing new in this. For at least 25 years we have appreciated the effects of the climate on health. Surgeons will put off serious operations when weather conditions are bad. Years ago clinics noted that there were many more strokes and heart attacks during climatic *inversions.*"

According to doctors there is a marked increase in traffic accidents during climatic inversions and the "Foehn." Many clinics make use of weather reports to prepare in advance for the increase in patients.

Although in Frankfurt, at least, the police do not correlate the accident rate with weather conditions, simple observation shows that driving standards tend to deteriorate with bad weather. At the same time, some factories report an increase in industrial accidents during climatic inversions.

There is a strong argument for saying that climatic conditions impose a far heavier burden on German industry than on many of its international competitors. While West German workers enjoy a well above average four weeks holiday a year, they are also entitled to take "cures" for what in countries such as Britain and the U.S. would be described as being "a bit run down" rather than being actually sick.

Many older workers take full advantage of the "cure" privilege, the cost of which is usually under-written by their health insurance. A cure usually lasts a minimum of four weeks and more often than not six weeks. Furthermore, it is followed up by recuperation during which the worker is not expected to work full time. This is normally paid leave and is certainly not counted as holiday, although the spas could properly be defined as holiday resorts, complete with well-patronised casinos.

Another doctor said: "Undoubtedly, a number of workers abuse the cure, but for the majority it is a vital form of preventative medicine. In Frankfurt and in Bonn, for instance, there is a very high instance of circulatory problems. Cures are most important in keeping these in check."

There are, of course, those fortunate souls who appear immune to the problems of climate. One American businessman, who has lived here *for five* years, said: "This place is no worse than the Mid-West and certainly better than Los Angeles. I have never had any trouble in either place. The whole thing was invented for the enrichment of the medical profession and encouraged by the trade unions."

Slowdown for French economy forecast

By Robert Mauthner

PARIS, July 21.

THE FRENCH economy is expected to expand more slowly in the second half of this year after the *strong* consumer-led upturn during the first six months, according to the latest National Institute of Statistics (INSEE) survey.

The institute forecasts that, following the lively expansion of consumer demand during the first few months of this year, due largely to the more optimistic climate created by the Centre-Right coalition's general election victory, a decline of 0.4 per cent in the demand for consumer goods can be expected in the third quarter. This would be followed in the last quarter by no more than a modest resumption of demand in this sector.

The Fr 20bn (about £2.4bn) budget deficit, announced by President Giscard d'Estaing at the recent Bonn Summit as France's contribution to concerted world growth, *is likely* to have only a very limited impact on domestic economic activity, according to INSEE. Some Fr 5.5bn of the addi*tional Fr 10bn* deficit not accounted for by the 1978 budget has already been financed by long-term loans, and another loan is due to be floated in September. Most of the budgetary stimulus to the economy has thus come in the first half of the year.

Nor is export demand likely to replace domestic consumer demand as the main stimulant of economic activity. After —expanding at an average annual rate of 6 to 7 per cent since the summer of 1976, export volume is likely to grow at a considerably slower rate of between 4 and 5 per cent during the second half of this year.

However, *thanks to the firmness* of the franc on the foreign exchange markets, which has led to a slight improvement in France's terms of trade, the *trade balance is likely to show* an increasing surplus over the next six months.

The outlook for inflation up to the end of the year is also *slightly brighter* than it was only a few weeks ago. While prices have been rising lately at about 1 per cent per month, the increases in public sector prices authorised by the Government will all have been put into effect by the end of this month and the rate of inflation can subsequently be expected to develop more slowly. INSEE forecasts that, by the end of the year, the monthly rate will have fallen to 0.7-0.8 per cent.

Over the year as a whole, nominal wages are forecast to rise by some 13 per cent, permitting an increase in average purchasing power of about 2.5 per cent, notwithstanding the Government's strict incomes policy. Though M. Francois Ceyrac, the president of the French Employers' Federation, has expressed anxiety about the *continuing low level of in*vestments, the institute predicts that investments will expand at a higher rate in the second half of the year.

The Institute's relative optimism in this field is explained by the upturn of industrial production during the first half of the year, the stability of raw material import prices, the comparatively small increase in wage costs and the improvement in company finances, thanks largely to the freeing of industrial prices.

Rhodesian election win for Smith

SALISBURY, July 21.

PRIME MINISTER Ian Smith's Rhodesian Front Party today won the country's first electoral test on black rule plans but with a substantially reduced *majority*.

Both the hard-line Right, which opposes any handover to the black majority rule and the liberal Left, which backs the *Anglo-American peace plans,* greatly increased their share of the vote.

The test came in a Parliamentary by-election for the Salisbury suburb of Highlands North. It was the first chance White Rhodesians have had to indicate their response at polling booths to the Salisbury majority rule *agreement reached* in March by Mr. Smith and three moderate black nationalist leaders.

The Rhodesian Front's poor performance gave Mr. Smith food for thought as he pressed ahead with the internal settlement plan designed to hand over the country to black majority rule on December 31. Mr. Smith has promised 80,000 white voters a virtual veto on the scheme in a referendum in September or October. When the majority rule agreement was signed in March the referendum had seemed a formality. It has now gained in significance.

The Rhodesian Front's share of the vote slumped from 69 per cent in August to 49 per cent. *The Liberal* share rose *from* 20 per cent to 32 per cent and the right-wing vote from 9.5 per cent to 18.7 per cent.

Reuter

OAU summit talks on Horn

By John Worrall

KHARTOUM, July 21.

THE Organisation of African Unity heads of state summit today grappled in closed session with the problems of the Horn of Africa, one of the conference's most divisive issues.

Members said the problem was urgent and that an end to hostilities between Ethiopia and Somalia should be brought about immediately as Somalia was threatened with invasion.

A proposal was discussed to create a buffer zone three miles wide on either side of the border, bring about a ceasefire, and instruct the OAU Mediation Committee to bring the two countries together to discuss their differences.

Slowdown for French economy forecast

HOME NEWS

Post Office move to slow rise in telephone bills

BY PHILIP BASSETT

THE POST OFFICE is to reduce the unit cost of running its telecommunications business by 5 per cent. a year over the next five years. This will mean that the price charged to the customer should rise less rapidly than prices in the economy as a whole.

This was announced yesterday in a Government White Paper, which follows the report by the Post Office Review Committee (the Carter Committee) on the Post Office a year ago.

The White Paper said that the "fruits of technical improvements" in telecommunications should be passed on to users. The 5 per cent annual reduction to 1982-83 should reduce charges significantly in real terms. The reduction could only be made if productivity kept pace with investment.

Sir William Barlow, chairman of the Post Office, said that the cut was not a threat to jobs. Productivity could be increased by working more efficiently with new equipment. Although the target would be "quite difficult" to reach, it could be done.

On posts, real unit costs should remain constant for five years from this year's base rate, so that tariffs would not increase faster than the general level of prices.

A decision on whether to split the posts and telecommunications sections, as recommended by the Carter Committee, has been deferred until the end of the two-year industrial democracy experiment which began in January. Both businesses, however, must be self-reliant and "to a large extent" self-contained.

Mr. Tom Jackson, general secretary of the Union of Post Office Workers, which campaigned strongly for the retention of the present Post Office organisation, said he was "delighted" with the White Paper.

But Mr. Bryan Stanley, general secretary of the Post Office Engineering Union, which campaigned for the splitting of the Post Office, called for the Government to prepare detailed plans for a separation.

Post Office White Paper Page 15

Distillers to raise wholesale UK prices for most spirits

BY SUE CAMERON

THE DISTILLERS COMPANY is to increase the UK wholesale prices of gin, vodka and most brands of Scotch whisky.

The trade price of Haig, White Horse and 50 other brands of whisky is to go up by 90p at the beginning of next month to £52.43p for a case of 12 bottles. Gin, Distillers' brands of which are Gordon's, Booth's, High and Dry and Tanqueray, will go up by 50p to £50.28 a case. Cossack vodka will go up by £1 to £48.67 a case.

The rises are expected to put up the cost of a bottle of Scotch in the shops by at least 10p. The retail price of Cossack vodka is likely to increase by a similar amount while Distillers gin brands will probably go up by 6p or 7p a bottle. However, it is thought that pub prices for whisky will be unaffected.

Distillers said yesterday that it was increasing its wholesale prices purely to cover costs and maintain the profitability of the brands concerned. Six of its whisky brands are to keep their present price.

Those are Vat 69 and Black and White, both of which went up by £5.94 a case in January; Dewar's, Johnnie Walker Black Label and The Antiquary, which went up by £3 a case at the beginning of the year; and The Claymore launched last summer.

The reason for the considerable wholesale price increases in January was the EEC ruling that Distillers' dual UK pricing policy was illegal under the Treaty of Rome.

The company is appealing against the EEC ruling. Meanwhile, it has abandoned dual pricing in the UK.

Callaghan opens mill

BY ROBIN REEVES, WELSH CORRESPONDENT

A NEW £40m aluminium rolling mill—the biggest single investment by Aluminium Company of America in Europe — was inaugurated by Mr. Callaghan, the Prime Minister, near Swansea yesterday.

The new mill, constructed at Alcoa's Waenarlwydd works, produces light gauge aluminium sheet for use by can-makers to make ring-pull ends and recyclable two-piece all-aluminium drinks cans. It can produce 50,000 to 60,000 tonnes of rigid container sheet a year.

Output is intended to replace U.S. imports of Alcoa sheet in the UK, European and Middle East markets.

● NEWS ANALYSIS—HOW A TEXAN WOOED THE NEB SCIENTISTS

Britain plunges into micro age

BY JOHN LLOYD

Ashley Ashwood

The architects of Britain's decision to invest up to £50m in micro-electronic technology exchange final thoughts on the plan. Dr. Richard Petritz, of Texas (left), with English consultant Mr. Iann Barron (centre) and Dr. Paul Schroeder, an American.

ONE OF the most impressive features of yesterday's announcement from the aNtional Enterprise Board that it meant to invest a maximum of £50m in launching the UK into the forefront of micro-electronic technology was that it should have been made at all. Few would have thought it possible as little as six months ago.

The project requires for its success the volume production of micro-computer memories and microprocessors, and thus the securing of very large markets, not just in the UK and in Europe, but in the heartland of silicon chip production, the U.S. To describe it as risky is a considerable understatement.

Not only are the development problems exceptionally complex —the making of the 64K RAM chip, arguably the latest and most promising (in market terms) of the micro-computers, is proving a headache for U.S. and Japanese companies right now—but there is absolutely no guarantee that, once the chip has been developed and is in production, it will please the market. Fujitsu, the Japanese company which has a version of the 64K RAM on limited release, has found that users are far from happy with its performance.

There are a host of subsidiary problems. Top-flight electronic engineers with experience in the area are few and pricy. Capital requirements can be enormous and, because of the high risk, capital is often difficult to attract. The speed with which new technologies succeed "old" makes large investment in one type of component more than usually risky.

It is not surprising, then, that officials at the Department of Industry, when addressing their minds over the past year to the problem of how the UK was to deal with microprocessors and computer memories, should have erred on the side of conservatism. Until the early part of the year it was official policy that there was no future for the volume production of chips in the UK.

What caused that monolith to crack? In the first place, the NEB never shared this view. Mr. David Dunbar, head of its computer division, and Mr. Jim Simmonds, the board's semiconductor expert, had always had as one of their options the possibility of "green field" volume chip production.

Faith in this radical initiative was shared by a few others, including Dr. Ian Mackintosh of Mackintosh Consultants, whose company had produced a report for the British, French and German Governments at the beginning of last year on the feasibility of just such an operation. Mackintosh himself was a propagandist for UK-funded enterprise: his enthusiasm, and his report, helped fuel the board's interest.

The catalyst was Dr. Richard Petritz, a Texan electronics engineer turned entrepreneur who knocked on the board's door last November with tailor-made plans for volume advanced silicon chip manufacture.

He coolly proposed that the NEB should invest in the very latest micro-computer memory production, with much of the initial development to be done in the U.S.. He also proposed that he and his colleagues—revealed yesterday as Dr. Paul Schroeder, a graduate of MIT and Bell Labs, and Mr. Iann Barron, a UK electronics consultant—should make handsome profits through part-ownership of the company, if it were to be successful.

The board was enthusiastic. Aided by an equally enthusiastic report on the proposal from Mackintosh, it set out to demolish first the conservatism of the Department of Industry, and secondly the objections of some of the Cabinet that the NEB was not envisaged as a means of making U.S. venture capitalists rich.

Mr. Eric Varley, the Industry Secretary, was an early convert, and his support was crucial in arguing the case for the Petritz plan both in his department and in the Cabinet. By May the NEB had cleared its lines and settled down to work out the fine print with the three prospective directors of INMOS, as the company will be inelegantly named.

A significant indication of the change of view which has taken place in the "electronics establishment" on the issue came last month in the report by the National Economic Development Organisation's electronics sector working party on the future of the silicon chip industry in the UK.

It laid out three alternatives for volume chip production—production by an established UK company, a link-up between such a company and a (presumably U.S.) company experienced in the field, and a "green field" operation. It indicated that it favoured the second option (acknowledging that no UK company had shown much interest in the first), but did not wholly rule out the success of the third, contenting itself with observations that it contained the highest risk.

It is not without interest that the working party contains a number of representatives from the large UK electronics companies which had shown little inclination to get into volume production. The very fact that it thought the third alternative possible—and it said that to be successful, it should market both micro-computers and microprocessors, as INMOS intends to do—is an indication of a considerable shift.

Yet their admonition on risk is pertinent, and that was acknowledged yesterday by Mr. Dunbar of the NEB. Both Fujitsu and Toshiba are in varying degrees of advance into 64K RAM technology, as are IBM and several other U.S. firms; and while it remains true that, as Mr. Dunbar observed, the first or second into the market is not always the first to make the profits, there is no guarantee that the reverse is true, either.

In addition, reports from the industry in the U.S. last week indicated that several companies were investigating the future of a more sophisticated version of the 16K RAM chip, at present the most advanced micro-memory in volume production. These companies believe that they might be able to develop a 16K working from a single power source and with the speed and flexibility claimed for the 64K.

There is no way of assessing precisely how far these claims may be valid: the fact that they are being made, however, is an indication of the uncertainty and volatility of micro-computer production. It is an exceedingly hectic world, on both the manufacture and the marketing sides. There is no guarantee of success, and one cannot be properly sought. The country has handed a significant part of its industrial future to two Americans and one Englishman, and must hope they know what they are doing.

QC begs secrecy for official informants

IT IS essential for the workings of government that it should not have to disclose information received in confidence. Counsel for the Crown argued in the High Court yesterday.

Mr. John Vinelott, QC, for the Attorney General, said "That includes information given to ministers, senior officials and the Bank of England by outside people, including officers of companies, in the knowledge that it will be entirely confidential."

He was opposing an application by Burmah Oil for the disclosure of 62 documents about the transfer of its holding of more than 82m British Petroleum shares to the Bank of England in return for support during the company's financial crisis in 1975.

Burmah says it needs the documents in its £500m claim against the Bank over the transfer. The Government says the documents are covered by Crown privilege and cannot be produced.

Burmah says its claim is purely commercial and that privilege does not extend that far.

Mr. Vinelott said the documents fell into three categories of confidentiality. Mr. Joel Barnett, Chief Secretary to the Treasury, had personally inspected the documents and agreed they fell within those classes.

The first class, Mr. Vinelott said, covered "documents passing between ministers affecting the highest level of policy-making."

The second covered "communications between senior officials of the Treasury and other departments and included draft proposals by these officials.

The third class covered documents that were not confidential in themselves but disclosure of which would cause the sources of the information they contained to dry up.

"The classic instance of this is the police informer," Mr. Vinelott said. "It is essential to government machinery that it should have access to information which it knows will never be disclosed."

The Crown is arguing that disclosure of the 62 documents would be against the public interest.

Mr. Vinelott said that government, and therefore public, interest was involved from the early stages of the talks between Burmah and the Bank.

He referred to available documents covering meetings in late 1974 and early 1975, including a draft of a press release about the Burmah rescue move.

It included answers to potential questions from journalists that emphasised that the Government was prepared to cover the Bank of England for any losses in the deal. "These show that from the start the Bank looked to the Government for guarantees," Mr. Vinelott said.

The hearing, before Mr. Justice Foster, was adjourned until Monday.

Powell attacks Tory immigration policy

BY RUPERT CORNWELL

MR. ENOCH POWELL last night delivered a stinging attack on Mrs. Thatcher and the Tory Party over immigration. He accused them of cynically toning down their policies in order not to alienate a vital minority of voters at the General Election.

In her celebrated speech referring to the widespread fear that Britain might be "swamped by people with a different culture," the Opposition Leader had evoked what was the biggest single concern of millions of electors, said Mr. Powell.

However, six months later her line had changed after the party had decided that care for the future of the country's cities and the fears of a majority of its population should be jettisoned in favour of winning a few marginal seats.

The Conservatives had been doing their sums, Mr. Powell told a meeting of the Wiltshire Monday Club in Devizes last night.

"The calculation runs as follows. No one who is afraid of being 'swamped' is going to vote Liberal or Labour . . . so there are no votes to be gained by recognising the fears of the majority. The result could even be to lose a few ex-Labour or ex-Liberal votes which would otherwise have been gathered."

"A chloroformed gag was immediately clapped over the leader's mouth . . . the Opposition were determined that the nation should not debate before the election—or after it for that matter—the subject which bulks largest in the minds of millions."

Mr. Powell's speech, which follows months of regular goading of the Tory Front Bench on immigration in the Commons, must remove any lingering chance that Mr. Powell will publicly urge support for the Conservatives, as some Right-wingers had been hoping.

He made clear his view that only repatriation could settle Britain's difficulties rather than "the clear prospect of an end to immigration" urged by Mrs. Thatcher in her original TV interview which started all the fuss.

But, Mr. Powell claimed, her use of the word "swamped" had "evoked a surge of hope and relief."

It had been an echo of the overwhelming response to his own speech in Birmingham 10 years ago. This was the speech which prompted Mr. Edward Heath to sack him on the spot from the Tory Shadow Cabinet.

More cash for oilspill victims

By Lynton McLain

GREATLY increased compensation for the victims of oil pollution will be available from October 16 when a United Nations convention increasing the liability of limit comes into force.

The international convention on the establishment of a fund for compensation for oil pollution damage was adopted by the International Maritime Consultative Organisation of the UN in 1971.

It has taken until now for forward agreement to be reached. But, from October, the convention and its financial levies from states importing oil will be binding on the 14 nations, including Britain, which ratified agreement.

Under the other main pollution regulation in force, the 1969 convention on civil liability for oil pollution damage, which took effect in 1975, victims could receive compensation from shipowners.

But this was limited to a maximum payment by the owners of $134 per ton of the ship's tonnage or $14m, whichever was the lower.

Government invested £7m in Scottish foundries

BY RAY PERMAN, SCOTTISH CORRESPONDENT

NEARLY £7m has been spent by the Government in Scotland under the ferrous foundries scheme, aiding 34 projects which together have added £24m of new investment to the steel processing industry.

This was stated yesterday by Mr. Gregor Mackenzie, Minister of State at the Scottish Office, when he commissioned a new six-tonne electric induction melting furnace at the Edinburgh works of Miller and Co. part of the Johnson and Firth Brown group of independent steelmakers.

The £200,000 unit, which is part-funded by the scheme, increases the foundry capacity at the plant by 60 per cent. The factory specialises in manufacturing cast iron rolls for the paper, plastics and other industries. About 30 per cent of production is directly exported.

Mr. Mackenzie said that the £80m ferrous foundry scheme was one of the results of the Government's sectoral approach to industrial problems, which had involved setting up 40 working parties.

"It is important to realise that these working parties are not composed of remote Government planners but primarily of representatives of the companies and trade unions most closely involved in the sector," he said.

"So far, the sector working parties have had enthusiastic participation both from industrialists and trade unionists."

Compromise in Lloyd's broker-syndicates row

BY JOHN MOORE

A COMPROMISE has been reached by a private arbitration tribunal set up by the Committee of Lloyd's of London in the £7m dispute between a Lloyd's broker and 19 underwriting syndicates.

The dispute was between the Lloyd's cargo underwriters headed by H. G. Chester and the broker, Lyon de Falbe International. All the syndicates alleged that the broker was negligent or in breach of its duty when it placed insurance for the butter supplies of a Dutch commodity dealer.

The underwriters understood that they were on risk for the butter while in transit, not while in long-term storage and that any single claim would be limited to a maximum of £1m.

After a warehouse fire at Elst in July 1977 when the butter was destroyed the underwriters were asked to settle a claim for more than £6.7m. Although they paid, they wanted to claim that sum back from the broker.

As a result of the five-day arbitration hearing, an award has been made in the ratio of 40 per cent and 60 per cent, in the syndicates' favour.

Economic Diary

SUNDAY — National Savings monthly progress report (June).

MONDAY—House of Commons unemployment debate and motion on dock labour scheme. TUC-Labour Party Liaison Committee meets, Transport House, London. TUC Finance and General Purposes Committee meets, London. National Union of Mineworkers Yorkshire Area Council meeting, Barnsley. Council of Agriculture Ministers of EEC begin two-day meeting, Brussels. EEC Finance Ministers meet, Brussels.

TUESDAY—Commons debate on the economy and pay White Paper. EEC Foreign Affairs Council meets, Brussels. National Coal Board annual report. Wine and Spirit Association statement on alcohol problems. Brick and Cement production (June).

WEDNESDAY — TUC General Council meets, Congress House, London. Labour Party National Executive Committee meets, Transport House. Commons debates Lords messages on Scotland and Wales Bills and on Parliamentary Pensions Bill.

THURSDAY—Commons debates Dividends Control Bill. Railway Staff National Tribunal hearing on business performance plan, Connaught Rooms, Great Queen Street, WC2. British Airways annual report. Electricity Council and Central Electricity Generating Board annual reports. Energy Trends publication. Car and commercial vehicle production (June—final). Department of Employment Gazette will include: unemployment (June—final); employment in the production industries (May); overtime and short-time working in manufacturing industries (May); stoppages of work due to industrial disputes (June); and quarterly estimates of employees in employment (March).

FRIDAY — Commons business: Valuation List (Second Postponement) order; motions on Ministers' and members' salaries, allowances and pensions; motion on report on the new Parliamentary building.

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Philips distribution change

PHILIPS Industries has withdrawn from distribution of consumer electrical goods after the sale of Allied Electrical Distributors for an estimated £3m. The purchasers are three directors of Allied. The company had been losing money for some time, Philips said yesterday.

The takeover, due to be completed by September, involves the closure of 11 of Allied's 15 depots around the country. About 200 of the 300 management and staff will lose their jobs.

The new company, Wholesale Supply (Stoke on Trent), will continue existing business from the Newcastle, Staffs., headquarters and from depots at Birmingham, Shrewsbrury and Colwyn Bay, north Wales.

Allied was the last of Philips's distribution companies for consumer goods, although it is still involved in distribution of components. Before the sale of Allied, Philips had considered closing it altogether.

Coal 'set for crucial role'

BY JAMES McDONALD

Mr. Alex Eadie, Under-Secretary for Energy, said in County Durham yesterday that coal would play a crucial role in matching energy supply and demand during the 1980s. "And after that, when our oil and gas supplies become scarcer and more expensive, coal will have an even more important part to play in meeting Britain's energy needs.

"Investment now in coal production capacity and in new uses for coal is the key to the industry's future success," Mr. Eadie said during a visit to Wearmouth Colliery.

"The Government has backed massive investment in the pits because it realises that in the long term this country is going to need all the coal it can get.

"We must always remember that the life-span of oil and gas is to be measured in decades, while the life-span of our coal industry runs into hundreds of years.

"Our coal industry must be ready, when the time comes, to supply both its traditional markets at power stations, in industry and in the home; and also to supply markets previously occupied by oil and gas."

Correction

IN OUR report on July 20 of the Burmah Oil High Court hearing, Mr. Harold Lever was stated to have been Paymaster General in January 1975. In fact, the office was at that time held by Mr. Edmund Dell. We regret the error.

White Paper sets 5% guideline with greater scope for flexibility

THE GOVERNMENT'S White Paper Winning the Battle Against Inflation on the next stage of pay policy sets the guideline for wage increases at 5 per cent.

Mr. Denis Healey, Chancellor of the Exchequer, who announced the decision in the Commons yesterday, said inflation would remain at 8 per cent for the rest of the year at least.

Mr. Healey said that pay increases must be kept to half the level they had been this year.

The guidelines would offer pay negotiators more flexibility than Stage Three and he hoped that negotiators would use this to restore differentials where appropriate.

The White Paper says:

The increase in earnings for next year must be substantially lower. Only in this way can we be sure of making the present success a lasting one. The Government has therefore decided to adopt a pay policy to apply from August 1, 1978, in *which the guideline* will be set at 5 per cent.

This may seem an ambitious objective. But in many of our competitor countries settlements have been at or below this level. *With determination there is no* reason why we cannot return to the same standards ourselves.

It is the Government's view that the country should aim at a long-term approach in which collective bargaining is based each year on a broad agreement between Government, unions and employers about the maximum level of earnings which is compatible with keeping inflation under control in the following 12 months. The policy for next year has been shaped so as to permit a transition to such longer term arrangements.

Consultation

The 1978-79 Pay Round—The Government has discussed the coming pay round with the TUC, whose partnership in the attack on inflation has been of vital importance. These discussions have taken place in the context of economic and social policy as a whole. The Government has found such consultations valuable in widening its understanding of the TUC's point of view and achieving a broad measure of consensus on economic and *social objectives.*

The Government intends to keep in close and continuous consultation with the trade union movement on the whole range of its economic policies. The CBI and other bodies have also been consulted and their views too are reflected in parts of this White Paper. There was general agreement among all concerned on the economic objectives to be pursued for jobs, prices and output.

The Government has an inescapable responsibility at this time to indicate the level of *growth in earnings which it con*siders to be appropriate for the coming pay round and consistent with preventing an increase in the rate of inflation.

Foundation

It is itself directly or indirectly involved in pay bargaining for the public sector—some 30 per *cent of the labour force*—and it has overriding responsibility for the economic welfare of the nation as a whole. It would be neither fair nor practicable for the Government to set a guideline *for* earnings growth in the public sector and leave the private sector subject only to the constraint of market forces.

Britain has a highly structured and interlocking pay system, each section of which has repercussions on others. These considerations make it necessary for the Government to give guidance for the whole economy.

In these circumstances the Government's duty is to advocate a policy which provides the best possible foundation for a further reduction in inflation, an increase in jobs and output, and an improved standard of living. In achieving that end what matters is the total increase, from all sources, in the average earnings of the group concerned and other costs required to be taken into account. Settlements must be assessed for this purpose on the basis of *past experience. In the* Government's view, the total increase for any group compared with the previous year (apart from those exceptions described esewhere in this White Paper) should not be more than 5 per cent.

Flexibility

Flexibility—In formulating its policy the Government has had to reconcile the need to contain inflation with the need for flexibility in pay bargaining. Each of the last two rounds of pay policy has been more flexible than its predecessor. The rigid £6 round was replaced by one with a guideline of 5 per cent, within a floor of £2.50 and a ceiling of £4. This in turn gave way to a guideline of 10 per cent. In the 10 per cent round the kitty principle enabled negotiators to structure their settlements in whatever way suited their circumstances and many used this flexibility, for example to consolidate into basic rates the supplements outstanding from the previous two rounds.

The Government wishes to *continue this flexibility.* But the Government cannot ensure that the flexibility it recommends is fully used: this is the responsibility of employers and unions, who should shape their settle*ments in a way* best suited to meeting their special needs.

The pay policies of the past three years have in varying degrees inhibited the adjustment of internal pay structures and external pay relativities that would otherwise have occurred. However, even where desirable, such adjustments must not be allowed to promote leap-frogging claims.

Where they are absolutely necessary the flexibility which is provided by the provisions in this White Paper and which was largely present in the previous guidelines—notably the ability for negotiators to adjust internal pay structures within the overall limit on increases for the group or groups concerned—offers an effective means for dealing with *many of them progressively.* This flexibility should be increasingly used for this purpose.

Nevertheless, the Government did recognise in a small number of cases—firemen, police, the armed forces, *others* covered by Review Bodies, and university teachers—that some exceptional increase was needed. The pay of the groups concerned was determined very largely by external comparisons and this process was interrupted by the introduction of the £6 policy in July, 1975.

In each case the necessary *increase* was identified and quantified on the basis of independent recommendations, and the balance over and above the guidelines increase in the current round is to be paid in two equal stages on the next two annual settlements dates for the group concerned. Each stage is estimated to result in total in an increase in the index of average earnings of the order of 0.15 per cent.

It may be that there is a small number of groups in a similar position for whom similar treatment might be appropriate when they reach their settlement date. If so, there must be prior clearance through the Department of Employment or, for public sector groups, through sponsor departments. It would be self-defeating if more than a few groups were accorded such treatment, and the Government will therefore examine *any proposals put* forward very critically to see how far the same considerations apply.

Minimum

Lower incomes — Although families on low incomes will benefit significantly from the *general reduction in* the rate of inflation, the Government recognises their special needs. However, the recent report of the Royal Commission on the Distribution of Income and Wealth *showed that some 40 per cent of* lower incomes families have income from earnings. For those dependent on State benefits, the arrangements already in force ensure that these benefits are protected against inflation, and in the majority of cases are increased in real terms.

To help the lowest earners, however, the Government would be ready to see higher percentage increases where the resulting earnings were no more than £44.50p for a normal full-time week. This level of earnings represents the TUC minimum pay target of £30 in 1974-75 up*dated by the maximum increases* generally available under subsequent policies including those set out in this White Paper. The Government expects those on higher earnings in the same or other industries to accept the consequential relative improvement *in* the position of the lowest paid.

Settlement dates—Responsible collective bargaining must preserve an orderly pattern of settlements through the maintenance of existing practices as regards the date of settlements.

For these reasons the Government looks to those concerned with pay determination in the public and private sector to respect their existing annual settlement date. There may be an exceptional case where a highly fragmented bargaining situation needs to be rationalised. The Government will be prepared to consider such a case on the basis that the overall level of the settlement takes account of *any costs involved.*

Productivity

Productivity—The Industrial *Strategy is dedicated to increas*ing British industry's share of home and overseas markets by improving productivity and competitiveness through higher investment and better use of our productive resources. *By sup*porting investment projects under Section 8 of the Industry Act 1972, the Government has made a major contribution towards improving the level and direction of investment in British manufacturing industry. But the evidence from the Sector Working Parties shows also that major improvements must be made in the way industrial assets are used.

Pay policy has a role to play in achieving these improvements. First, the flexibility provided by the kitty principle makes it possible to adjust pay structures wthn the overall limit to meet changing technological requirements. Secondly, in the current pay round there have been examples of marked increases in productivity through self-financing productivity deals.

The Government has therefore decided to continue providing for such deals in the next round, on the same conditions—that any deal of this nature should never increase unit costs and so far as possible should reduce them. It must be demonstrated to be self-financing before any payments are made, and payments should continue only if regular checks confirm that it is still self-financing. The savings generated by such deals should be shared between the workers, the enterprise and consumers, so that they may contribute towards the cost of other pay increases, assist investment and restrain prices.

Hours—Much *attention* has been focused on the possibility of reducing working hours and the contribution this could make to increasing job opportunities. The Government welcomes the recent TUC initiative on the reduction of overtime working. There appears to be significant scope—particularly in those areas of employment in which overtime has recently increased substantially—for additional jobs in substitution for overtime working at no increased cost.

Unit costs

There could also be scope for reduction in working hours without loss of individual earnings where revised shift arrangements or other working practices make possible adidtional job opportunities with a corresponding increase in output, and overall unit costs are not increased. In many areas industrial plant is less intensively *and effectively* used in the UK than in some competing countries, and moves in this direction could contribute towards the high income, high output, high employment economy which is *our objective.*

The introduction to this White Paper has emphasised the importance of our unit costs, particularly labour costs in relation to productivity, by comparison with *those of other countries, and the* question of hours generally is an important element in these costs. If more people were employed to produce the same output without any reduction in *individual earnings, labour costs* would inevitably be that much higher.

For example, a reduction from 40 to 39 hours, other things being equal, would result in an increase in labour costs of over 2½ per cent. The consequent price increases would reduce sales and eventually lead to unemployment: this effect would be reinforced if our main competitors in home as well as overseas markets were not adopting similar changes. The Government has indeed taken the initiative in discussions within the European Community to encourage parallel moves, but must emphasise the dangers for the UK in increasing costs through reductions in hours in advance of our competitors.

In general, therefore, the *Government can accept a reduc*tion in hours as part of a normal pay settlement on condition that it is demonstrated that the settlement as a whole does not lead to any increase in unit costs above what would have resulted from a straight guideline settlement on pay.

Indeed the cost of any improvement in conditions of employment such as holidays, hours and fringe benefits must count towards the level of settlements —subject to the same exceptions as in the current round for improved pension benefits, sick pay, *job security, etc.—save in so far* as any cost involved is fully offset by increased productivity, in which case this must be subject to all the conditions applied to other productivity deals, including regular checking.

Responsibility

The public sector—The Govern*ment will do everything possible* to secure that full account is taken by employers and unions of the guidance in this White Paper throughout the public sector. The cash limits for 1978-1979 have already been published in Cmnd 7161 and no general changes in them are planned as a result of this White Paper. For 1979-80 the assumptions used for the cash limits will reflect the Government's policy on pay.

The private sector—In the private sector the Government relies on employers and unions to act responsibly and moderately, as the CBI and the TUC has given assurance they will. In the light of these assurances the Government trusts it will not be necessary for the guidelines to be involved in the application of its discretionary powers.

However, the Government will, if necessary, take account of any failure to observe the guidelines in exercising its discretion in the fields of statutory assistance and other appropriate discretionary powers. The pay clauses in exist*ing Government contracts* will remain in force, and they will continue to be included in new contracts.

The Remuneration, Charges and Grants Act 1975—The provisions of the Remuneration, Charges and Grants Act 1975 expire on July 31, 1978, and the Government does not propose to seek their renewal. It is recognised that in some cases observance of the guidelines in this White Paper may conflict with existing contractual obligations. This should, however, be much less widespread in the coming *pay round* than in the past three years. Where such cases arise it is open to parties concerned to make the necessary modifications by mutual arrangements and the Government would expect them *to do so.*

Prices

Prices and Dividends—The Government regards continuing price control as an *important* part of the Attack on Inflation. The Price Commission Act 1977, which has been in force since last August, replaced a detailed and inevitably inflexible Price Code related to additional *costs* with a policy under which the Price Commission reports selectively on individual companies and industries whose pricing prima facie justifies investigation. We are now seeing the results of this new policy.

Between August 1977 and June 1978 the Price Commission initiated 24 investigations into pricing by individual enterprises, of which 18 have been completed. In 15 of these the price increases sought were wholly or partly restricted during the investigation; and in 9 cases *prices are being held or restric*ted for various periods after the investigation.

At the same time action has been taken to follow up Price Commission examinations of *sectors of industry.* This has led to reductions or restrictions in the prices of tea, coffee and beer. In the nationalised industries, as elsewhere, price increases have been far lower than for several years. *Rebates worth £100m* have been returned to telephone subscribers. No major increases are expected in nationalised industry prices for the remainder of this year.

Investment

Over the coming months the Price Commission will maintain *an active programme of investi*gations into individual companies, and will also examine, at the direction of the Government, pricing practices in different sectors of industry. In addition, the very existence of the Price Commission encourages companies to examine carefully the justification for price increases. Companies may be induced to withdraw or reduce notified increases so as to avoid investigation. All this in turn influences leading competitors, suppliers and trade customers of the enterprise concerned. At the same time the Price Commission is required by law to discharge its functions in a way which takes account of other objectives in our national economic policy.

The Commission must have regard, among other matters, to the promotion of new investment and technological innovation, the encouragement of industrial efficiency, the appropriate level of profits and dividends and the interests of consumers. Thus the Commission not only has a duty to identify excessive price increases and to recommend the steps needed to correct them, but also in doing so to take full account of the wider economic background against which such price increases are put forward.

The present statutory powers to control dividends expire on July 31, 1978. The Government intends to introduce a Bill to extend the statutory control for a further 12 months from August 1, 1978, on the present basis and with the present provisions for exceptions and with one addition.

Opportunity

This is that from August 1, 1978, no company will be required by the controls to increase its dividend cover above the highest level achieved since the current controls began. This will enable companies to increase their dividends in line with profits or in line with the statutory limit, whichever is the higher, but they will not be permitted to distribute funds accumulated in the past. A separate announcement giving *details of this provision will be* made.

Conclusion—The Government is convinced that the British people will not throw away the gains it has made in the last three years in the fight against inflation. The guidelines set out in this White Paper offer a far better course—the opportunity for pay negotiators to use their freedom in reaching settlements with responsibility and moderation, to consolidate the success of the last three years.

They can do so with confidence that this, within the framework *of the Government's continuing* monetary and other policies, will build on the solid foundations which have already been laid for economic growth. It will encourage the regeneration of *industry, guarantee living stan*dards and make possible a continuing fall in unemployment, bringing lasting benefits to all sections of the community.

Winning the Battle Against Inflation, HMSO Cmnd. 7293. Price 25p.

Terry Kirk

Mr. Denis Healey—new 5 per cent pay *guideline* offers scope for flexibility.

No move to tighten price controls

By Elinor Goodman, Consumer Affairs Correspondent

THE ABSENCE in the White Paper of any proposal to tighten up on the profit safeguards in the price controls would seem to suggest that the Government has given up this idea for the foreseeable future.

The Government has come under pressure from some Left-wing MPs to close what they see as the loophole in the controls which allows companies *to raise their prices* while they are being investigated by the Price Commission if a freeze would reduce their profits below a certain level.

It had been assumed that if the Government was going to make any changes to these provisions, it would announce them at the same time as it published its proposals on pay. But it now seems as if a decision has been postponed until the autumn at the earliest. All yesterday's White Paper said about prices was to reiterate the aims of the policy introduced last year.

Review

Mr. Roy Hattersley, the Prices Secretary, has been opposed to the idea of numeric safeguards *since the new discretionary* system of price controls was introduced a year ago. On several occasions in recent months he has said that he was reviewing the situation.

Any such changes would, however, need the approval of Parliament and it has been doubtful for some time whether the Government could get them through the Commons.

While the Confederation of British Industry has lobbied strenuously against any tightening up of the provisions, the TUC does not seem to have been particularly interested in the subject either way.

Healey rejects criticisms as political opportunism

BY IVOR OWEN, PARLIAMENTARY STAFF

MR. DENIS HEALEY, the *Chancellor of the Exchequer*, had little difficulty in the Commons yesterday in riding out the initial wave of criticism of the Government's decision to lay down a 5 per cent guide line for the next wages round.

Tory and Labour backbench advocates of a complete move away from guidelines and norms were told in uncompromising terms that without a clear Government lead there would be little hope of securing the primary aim of keeping Britain's inflation rate in single figures.

Tory protests, led by Sir Geoffrey Howe, the Shadow Chancellor, that the 5 per cent guideline would lead to the same rigidities in wage bargaining experienced in earlier years and make it impossible to place a strong enough emphasis on restoring differentials were dismissed by *Mr. Healey as political* opportunism.

He was equally unrelenting in standing up to Opposition pressure, supported by Mr. David Steel, the Liberal Leader, for a reversal *of the* Government's decision to seek legislative authority to continue statutory control of divi*dends for a further* 12 months from August 1.

The Chancellor warned of the danger of "provocative" dividend increases, possibly ranging up to 300 per cent, which would benefit a large number of very rich people and upset the climate for pay negotiations which the Government believed was now "very much more favourable" to moderate settlements than it was a year ago.

Earnings

He conceded that any national wages policy was bound to involve an element of rough justice, but told Labour left wingers, who predicted growing resentment from rank and *file trade unionists as they* faced yet another year of pay restraint, that e case for declaring a 5 per cent guideline was inescapable.

Mr. Healey said: "I don't *think* it *would have* been possible to secure half the increase in earnings for the coming round unless the Government had been prepared to say what was implied in the terms of a figure."

He answered "Of course," when asked by Mr. Kenneth Baker (Con. St. Marylebone) if it was the Government's firm intention to ask large groups of public sector employees to settle for 5 per cent.

Mr. Norman Atkinson (Lab. Tottenham), the Labour Party Treasurer, was the most outspoken critic from the Government backbenches, describing the 5 per cent guideline as "sheer political masochism."

It was bad economics, and bad politics, and the Conservative Party would be the only beneficiaries.

Mr. Healey retorted that Mr. Atkinson's view was not shared by many other Labour MPs. Nor, he believed, did it have widespread support in the trade union movement or in the country.

Another left-winger, Mr. Eric Heffer (Lab. Liverpool Walton) said that after the sacrifices of the past three years trade unionists no longer wanted "norms" of any kind. They wanted free collective *bargaining conducted at plant* or company level on the basis of the profits made by the firms concerned.

Mr. Healey replied that it was widely recognised that a return to increases of 30 or 35 per cent in "confetti money" would benefit nobody.

Union leaders reject Government's Stage Four plan as unrealistic

BY CHRISTIAN TYLER, LABOUR EDITOR

MOST TRADE union leaders yesterday forecast that the Stage Four 5 per cent earnings guideline was too low to have a chance of being obeyed, as well as deploring the fact that a guideline had been included.

Some found the Government's statement on hours more conciliatory than expected, but almost negative in terms of cutting unemployment. They would press ahead for cuts in the working week in the pay round *starting on August 1.*

The promise of selective relaxation of dividend restraint was attacked by Mr. Moss Evans, of the Transport Workers, who said it should have been accompanied by some relaxation on wages.

Scope

The 5 per cent was "quite unrealistic in terms of allowing scope for correcting anomalies, adjusting differentials and allowing scope for an increase in living standards." The union's policy for completely free collective bargaining was "totally unaltered."

One of Labour's staunchest supporters, Mr. Frank Chapple of the electricians, said: "I don't *think it will work*—certainly not with my skilled members."

He doubted if the Government would be able to hold the private sector to 5 per cent. "It seems like the brave and foolhardy act *of a government leaving office*—but I think it will probably get them more votes than it will lose them."

*The paragraph allowing excep*tional increases for the low paid, to bring them up to earnings of £44.50 a week, was described by Mr. Alan Fisher, of the public employees, as "totally inadequate and virtually meaningless."

A worker would need to be not badly paid, but disgracefully badly paid, to benefit—and he by definition was unlikely even to win the 5 per cent from his employer.

Mr. Fisher will be calling at the TUC Congress for a minimum wage target of two-thirds average earnings, which by November would be £90 a week, he said.

Public service workers would find it difficult to settle for 5 per cent in the light of the big awards of 30 per cent and more for police, firemen and the armed forces.

The National Association of Schoolmasters interpreted the White Paper's exemption for future special cases as including *the restoration of teachers' pay* differentials.

Mr. David Basnett, the TUC chairman, of the General and Municipal Workers Union, said another tight guideline could cause unnecessary problems and be counter-productive.

His union would not accept any discrimination against the public sector and would pursue its negotiation objectives "in a responsible manner," including a reduction in working hours.

The TUC will give no collective reaction to the White Paper until after its general council meeting next Wednesday.

Mr. Ray Buckton of ASLEF, the train drivers' union, warned of *confrontation* and challenge, and questioned the wisdom of what he called a "straitjacket" on pay in the run-up to a general election.

Disaster

Mr. Sam Maddox, the bakers' union general secretary, said: "Jim's 5 per cent is not on." Any union leader that condoned this depression of wages and living standards should find himself a job in the Government.

For the Civil Service unions, Mr. *Bill Kendall,* secretary general of the Whitley council staff side said: "This policy, if executed with precision in the public sector, is a recipe for industrial disaster in 1979."

Mr. Campbell Christie of the Society of Civil and Public Servants, said his members were 30 per cent behind the private sector equivalent grades and would expect a full pay-out in April next year.

One of the few notes of support came from Mr. Tom Jackson of the Post Office Workers, and a campaigner against free collec*tive bargaining, who said:* "I don't mind 5 per cent as long as it's a real 5 per cent increase on pay."

A non-TUC group representing scientists, doctors and managers said the Government's claim that there was flexibility had been proved worthless. The 5 per cent did nothing to remove the *differentials squeeze on* these employees caused by previous incomes policies.

Dock gate strike hits Liverpool shipping

BY ALAN PIKE, LABOUR CORRESPONDENT

A STRIKE by 350 dock gate operators seriously disrupted the Port of Liverpool yesterday.

The strikers support 94 employees of the Union Cold Storage Company in Liverpool, in dispute for 10 weeks, over a bonus claim. They will *remain* out at least until a meeting on Monday.

No cargo ships were able to move out of Liverpool because of the dispute yesterday.

After talks the dock gate men agreed to allow car ferries to Belfast and Dublin to continue operating on one of the busiest weekends on the summer. Isle *of Man services from* the port will also be unaffected.

Though Irish services are still running from Liverpool British Rail warned that its services to Ireland from Holyhead and Fish*guard might* be disrupted at the weekend because of a dispute involving clerical members of the Irish Transport and General Workers' Union over a productivity scheme.

They have given strike notice, which was due to expire at midnight.

The threat of a 24-hour strike next Friday by British Airways engineering staff at Heathrow was lifted after a meeting of the *men yesterday.*

Mr. Bill Benson, shop stewards' committee chairman, said that a claim for parity with British Caledonian engineers at Gatwick *for handling wide-bodied jets* would be brought to the attention of Mr. Edmund Dell, Trade Secretary.

Another mass meeting would be called if there was no satisfactory outcome by August 11.

THE WEEK IN THE MARKETS

Speculation on dividends gives equities a boost

LONDON
ONLOOKER

First they were off, then they were on, then they were off again . . . the latest rumours from Westminster about the future of dividend controls dictated the course of the equity market this week. The FT 30 Share Index swung up and down quite violently on successive days, and finished up more or less where it started out from.

Will the current proposals—if they prove politically acceptable—help to lift the market out of its rut? It seems very doubtful. The reverse yield gap—the difference between the yield on equities and consols—has widened considerably since its low point early this year. This means that an improved relative return on equities is already discounted to some extent. And meanwhile, the gilt edged market seems to be picking itself up from the ground.

Helped by a reasonable set of money supply figures and an improving trend in sterling, the Government Broker was able for the first time to activate his long tap stock on Thursday. There is speculation that the stock, Exchequer 12 per cent 2013-17, could be near to exhaustion. If the Government's funding programme is starting to roll again, equities might find themselves out of the limelight.

Insider dealing

Thursday's White Paper on "Changes in Company Law" detailed for the first time the proposed clauses which, when legislated, will make insider dealing a criminal offence. The White Paper does not specify every possible insider, but goes right to the boardroom and the market place. An insider is one who deals on the basis of information which is both privileged and significantly price sensitive. The key phrases refer to the sort of information that is not generally available and which, if it were so available, would be likely to have a material impact on the price of the securities concerned.

So directors would have to be extremely careful about their own share dealings and will certainly find it essential to abide by the Stock Exchange's own model code of conduct. But what about brokers' analysts? They would certainly have to be more circumspect about what they put in circulars to clients. But the same constraints need not apply to newspapers. Their let out is the argument that by printing information, they make it generally available.

IMPs/Eastwood

Imperial Group surprised everybody this week by launching a £38.2m counter bid for J. B. Eastwood the poultry and eggs concern which already has an offer of £31½m on the table — from Cargill the privately owned U.S. agricultural merchants.

Imperial has always been a candidate to take over Eastwoods but a bid at this late stage had not been anticipated, while an offer always seemed likely to excite the interest of the Monopolies Commission.

A merger would leave the combined businesses with around 32 per cent of the UK broiler chicken and substantial shares of the turkey and egg markets — where Eastwood is currently market leader.

Under monopoly rules a bid can be referred for investigation where a merger would leave the groups concerned with a 25 per cent share of any one market.

Nonetheless Imps have made a determined start to their campaign and in two days this week bought around 4.4m shares in Eastwood—at the offer price of 160p a share—leaving the group with a substantial 19 per cent stake.

The Eastwood family and directors have already given irrevocable undertakings to accept Cargill's 132p a share offer in respect of their 35 per cent holdings—but this can hardly count for much in practice unless Cargill matches Imps' terms.

Eastwood has asked Cargill to reach a speedy decision on its position while it has also asked to meet Imps for further clarification of the terms of the new bid—which surprised Eastwood as much as anybody else.

Options active

The number of traded option contracts arranged through the London market hit a daily peak of 1,249 last Tuesday, the day before trading in the July series of options ceased. But traders closing out positions prior to the expiry of the series was only part of the explanation for the record total.

Interest in the market has been steadily building and it always gets a fillip when there is a significant movement in the underlying share market. In the week to July 14 the equities market started to move, stimulating interest in options.

A daily average of 700 contracts was arranged during that week, the best level since mid-May.

This interest spilled over into the current week with 884 contracts arranged last Monday. July series contracts accounted for slightly more than 500 of the total. On Tuesday only 336 July series contracts were arranged and it is doubtful if the market would have hit its peak were it not for the interest shown in the October series, particularly in the Land Securities October 220 options. There were 367 contracts in this stock with 200 coming from one covered writer.

The new April series began trading on Thursday but it did not attract a great deal of interest. Only 90 contracts were arranged and three stocks accounted for more than 60 per cent of volume. The market is still dominated by professionals with only a tiny portion of activity accounted for by private investors. The market's initiators are hoping that the introduction of more stocks plus the easing of some commissions will stimulate interest among private investors.

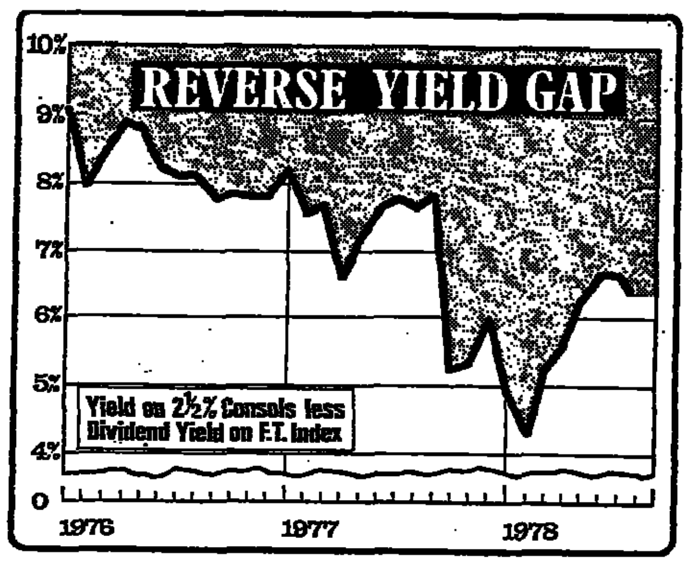
Stores cheerful

It has been a week for buoyant news from the retailing sector. Consumer spending is now at an all time high following a year of progressive growth and the Department of Trade's retail volume index climbed to 109 in June—close to the peak levels recorded in 1973-74.

From the companies, Boots' directors were sounding very confident at the annual meeting this week and Great Universal Stores has come out with encouraging full year figures showing pre-tax profits £16m higher at £128m. And Gus's says that a good start has been made to the current year, particularly on the retail and mail order sides.

This encouraging trading picture had been expected for months, so there are no hard messages for the market. However the general tone could fuel a further rise in retailing shares—the sector has outperformed the market over the last few weeks. But this recent strength follows a period of weakness since last November which has cost the sector about 10 per cent compared with the market.

Though the shares are moving ahead at present analysts are warning against a long-term commitment. Over the next few months the trading background will continue to be good and the batch of half yearly results due out during September and October should look encouraging. Beyond that analysts are cautious and they are suggesting that investors should lighten their store sector holdings during the next few months.



THE TOP PERFORMING SECTORS IN FOUR WEEKS FROM JUNE 22

	% Change
Newspapers, Publishing	+13.0
Hire Purchase	+12.5
Banks	+6.9
Stores	+6.3
Insurance (Life)	+5.9
Food Retailing	+5.7
All-Share Index	+3.8

THE WORST PERFORMERS

Household Goods	+0.6
Misc. Financial	+0.4
Breweries	+0.2
Discount Houses	−0.3
Office Equipment	−1.0
Shipping	−3.2

MARKET HIGHLIGHTS OF THE WEEK

	Price Y'day	Change on Week	1978 High	1978 Low	
Ind. Ord. Index	479.2	+ 4.8	497.3	433.4	Dividend control uncertainty
Gold Mines Index	175.0	+14.4	175.0	130.3	Rise in bullion price
Treasury 13¼% 1997	£104½	+ 1	115½	100⅞	Sterling/money stock trend
Eastwood (J. B.)	153	+29	160	82	Counter bid from Imperial Group
Elys (Wimbledon)	205	+39	205	80	Speculative bid hopes
Flight Refuelling	170	+19	178	96	Revived bid speculation
Inveresk	65	−11½	81	64	Poor half-yearly results
Mackinnon of Scotland	50½	+12	52½	21	Favourable Press comment
McBride (R.)	197	+67	210	105	Bid from British Petroleum
Reardon Smith	60	− 8	140	60	Moratorium on loans
Rothschild Inv.	209	+17	209	159	Increased div. and earnings
Stock Conversion	258	+18	270	216	Annual results due Wednesday
Stothert and Pitt	200	+23	200	135	Property revaluation stimulates
Unigate	67	+ 5	68	47	Good preliminary figures
Union Corp.	293	+20	300	238	New uranium/gold mine in OFS
Vaal Reefs	£15½	+ 1¼	£15½	£11	Increased div. and June ¼ profits
Waddington (J.)	214	+24	230	186	Annual report/Press mention
Western Deep	916	+93	916	589	Increased div. and June ¼ profits
Weston-Evans	132	+22	132	79	Bid from BMCT
Wettern Bros.	79	−34	116	56	Glossop bid may prove abortive

U.K. INDICES

Average week to	July 21	July 14	June 7
FINANCIAL TIMES			
Govt. Secs.	70.61	70.13	69.39
Fixed Interest	71.62	71.73	71.27
Indust. Ord.	473.8	470.8	454.2
Gold Mines	166.8	159.5	159.3
Dealings mkd.	4,451	4,402	4,346
FT ACTUARIES			
Capital Gds.	216.77	214.56	208.49
Consumer (Durable)	198.87	197.85	191.47
Cons. (Non-Durable)	203.51	202.08	195.93
Ind. Group	212.29	210.46	203.98
500-Share	235.52	234.28	226.68
Financial Gp.	164.98	162.24	155.26
All-Share	217.55	215.99	208.62
Red. Debs.	56.95	56.80	(56.71

Summer nerves

NEW YORK
JOHN WYLES

LIKE A nervous bathing belle, the characteristic stock market investor seems at the moment to be standing at the ocean's edge unable to decide whether the water swirling around her ankles is warm enough for a summer swim. The waters have certainly felt chiller than they did in the spring when the investor plunged with all the enthusiasm of a Mediterranean holidaymaker.

The Bonn summit added little lustre to investors' economic anticipations this week and neither, it must be said, have some cracking second quarter earnings results added much to the overall strength of the market.

Confusion thus continues to reign. Analysts at this time share the general uncertainty about the market. The consensus is that over the next few weeks it may rise, but not by much, or that it may fall, again not by much. If pressed these uncertain students of the market will say that trading will remain lodged in the 800 to 850 range of the Dow Jones Industrial Average but that "the upside potential is limited by still rising interest rates and inflation." Although no longer confident that the old rules will necessarily prevail there is a general clinging to the nostrum that interest rates must peak before a genuine rally can get under way. Thus as my colleague Stewart Fleming reported earlier this week the pre-occupation on Wall Street at the moment is focussing on the future of interest rates and in particular when they may reach their ceiling for this economic cycle.

This of course involves taking a view about the course of the economy over the next six months. Credit demands will still be strong in the second half of the year unless the economy shows a severe weakening in its rate of growth, while the administration officially conceded this week that the inflation rate for the year will be close to 7 per cent. Money supply moreover is continuing to expand at well above the federal reserve board's targets.

But how much further the Fed and its chairman Mr. G. William Miller will tighten the screw through raising short term interest rates remains to be seen. Mr. Miller created some puzzlement at the end of last month when it became known that he had voted against raising the discount rate on reserves which the Fed lends to member banks. Mr. Miller's explanation, published in the latest edition of Moody's Bond Survey, is interesting because it indicates that he wants to pause to review the effects of current interest rate levels, and the slashing of the projected government deficit for 1979 from $60bn to $48.5bn. The next six months will be vital and, just as a surgeon becomes cautious the closer he gets to the vital organ, it is essential to have a clearer view. Mr. Miller told a meeting of securities dealers.

Among other things Mr. Miller does not want to be identified as the man who singlehandedly plunged the economy into recession. Popular misrepresentations of this sort are not uncommon and to-day's report of real economic growth in the second quarter is further food for Mr. Miller's thought. Instead of an 8 or 9 per cent increase in real gross national product which had been widely expected, actual second quarter growth was 7.4 per cent, which is a more modest rebound from the winter doldrums than had seemed likely.

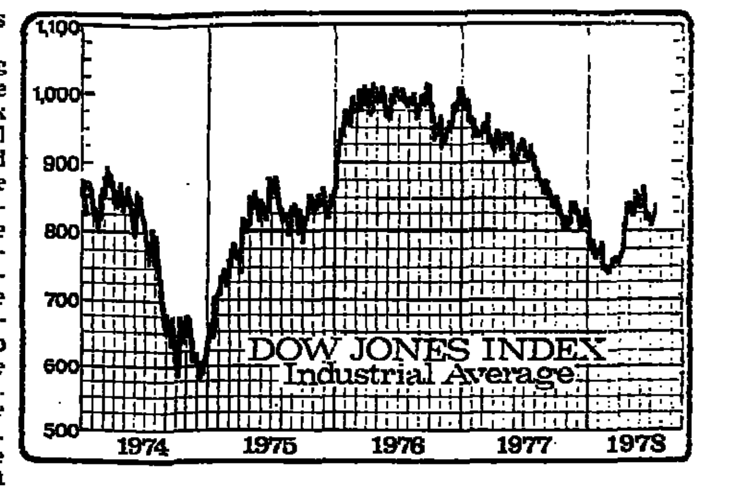
Most economists will agree with Miss Juanita Kreps, the commerce secretary, who observed this morning that the administration's projection of a 4.1 per cent rate of growth for 1978 is now too high. Thus a slowdown may soon become apparent and indeed Merrill Lynch in its latest survey of the business outlook has concluded that there is a 55 per cent chance of a business recession in 1979.

The more clearly this emerges, the sooner it seems that the stock market will be set for a genuine improvement. In some stocks the ground is already being laid. General Motors, for example carries most analysts' recommendation to sell and is trading near the bottom of its range for the year. Passenger car sales have been unexpectedly strong but with consumer debt standing at extraordinarily high levels, it seems many consumers are buying new cars this year rather than next which will almost certainly see a sharp downturn.

But those currently holding consumer-related stocks can look forward to some very respectable yields this year. General Motors is selling for around five times projected earnings and Ford four times. Yields for these two companies could be around 11 per cent and 8 per cent respectively.

Eastman Kodak, traditional glamour stock which has lost some of its glitter in recent years and which this week declared a 42 per cent increase in second quarter profits, is still only selling for less than 12 times earnings.

Kodak helped boost the market on Wednesday but the adrenaline released was modest which means that probably the most profitable second quarter in U.S. corporate history is now irrelevant as far as investors are concerned.



	Close	Change
Monday	$839.05	− 0.78
Tuesday	$829.00	−10.05
Wednesday	$840.70	+11.70
Thursday	$838.62	− 2.08
Friday	$833.42	− 5.20

HONG KONG
ANTHONY ROWLEY

THE BEHAVIOUR of the stock market here in recent weeks suggests that it may be set for a period of continuing but controlled expansion rather than the runaway boom it appeared headed for earlier.

The Hang Sang index—lead stockmarket indicator here—breached the 500 mark in June, having risen some 25 per cent since the beginning of the year, and then accelerated to a point where it looked as though it would easily break through 600.

However, having edged through 580 at one point the index hesitated and has since traded within a range of between 550 and 570, where some analysts suggest it is likely to remain in the immediate future while the market consolidates its position and absorbs some profit-taking. Other analysts look for a further push beyond 600 once the summer lull is passed.

Some observers believe that the current period of consolidation is a mark of the Hong Kong market's increased sophistication and maturity since the boom five yers ago when the Hang Seng index peaked at 1,775 after a dizzy rise which was followed by an equally spectacular crash.

One reason for this is that there is closer official supervision of Hong Kong's four stock exchanges and of the securities industry in general here now than there was in 1973. The quality of investment analysis and advice is much improved too, both on the part of British and Chinese securities dealing houses in the colony.

Another factor could be that there is a greater weight of foreign institutional investment in the market now than there was in 1973. Not only are these funds invested according to sound earnings and yield criteria but their presence also limits the scope for syndicate and other highly speculative actions in the market.

The decision by leading banks here to raise their prime lending rate by 0.5 per cent to 6 per cent at the beginning of this week has also had a dampening effect on the market. The move, designed to bring Hong Kong interest rates more into line with those elsewhere, and to support the Hong Kong dollar which has recently been losing ground, still leaves the average yield on equities—at around 4 per cent—a point or so ahead of the return available on savings and some time deposits however.

Clamour from the Far East

MINING
PAUL CHEESERIGHT

THERE IS a ritual response to the movement of the gold price. Every time there is a sudden advance, heads shake and the name of Jimmy Carter is invoked as homilies are delivered about the instability of the dollar.

This week has been no different. Since the end of May the price had fluctuated gently between $181 and $186.875 an ounce. On Thursday the London price jumped $3.375 to $189.125. New York followed through to $191.80 and yesterday London closed at $191.875.

To some extent the instability of the dollar argument holds good as an explanation for the movement. It is the background factor but not the immediate cause. After all, the dollar has been weak for a considerable time.

In their attempts to pin a theory on this week's rise, market analysts have been looking at the Hong Kong share indices. The Hong Kong market enjoyed a sustained advance until about three weeks ago, since when there has been extensive profit-taking.

This has created liquidity. Concern about U.S. foreign exchange policy has apparently led to Hong Kong investors moving into gold. This gave the bullion market a boost, generating the momentum which hastened the advance of the price in London and New York.

The immediate result was to enliven the gold share market which recently has been in a state of torpor although, as the market men like to say, the undertone has been firm. On Thursday the Gold Mines Index had its most sweeping movement since last February with a rise of 6.3 to 170.7. This was the highest level since October 1977.

Yesterday this gain was consolidated and the Index moved to 175.0.

The rise was achieved almost without reference to the high level of profits disclosed by the South African producers in their latest quarterly reports.

Whether this level can be maintained is questionable. If the bullion price remains around $190 an ounce then clearly the prospects of the mines are enhanced, especially the marginal operations where costs are high and ore grades are low, making them sensitive to even slight movements in the price.

But the main point is that the figures for the June quarter have been inflated by a once-only bonus of revenue linked to new gold buying arrangements instituted by the South African Reserve Bank.

The mines are now paid a market-related price as soon as they deliver gold. They used to be paid on delivery at the official price of $42 with a premium from sales on the market coming along later. The introduction of the new system has meant that in the past quarter they received not only a market-related price for current production but proceeds due to system.

The table shows that all the mines had higher profits in the June quarter than in the March quarter. Effectively they were receiving around $200 an ounce for their gold compared with about $170 in the preceding three months.

But there are two mines which stand out—Harmony in the Barlow Rand group and Vaal Reefs of the Anglo American group. Both have in common an increase in uranium revenue.

Harmony's net profits for the June quarter at R12.4m (£7.5m) were 77 per cent higher than in the previous three months. Its gold production rose, but the increasing importance of uranium to the mine has been stressed by a change in the method of calculating ore reserves.

Previously the reserves were based on their gold content alone. Now the uranium is added as well in recognition of the fact that ore which is unpayable on the basis of gold alone becomes payable if the two minerals are considered together.

At Vaal Reef's June quarter net profits of R39.7m (£24.2m) were double those of the March quarter. The figure includes R16.8m, against R5.6m from the Vaal Reef's South lease area, from which Southvaal draws a 55 per cent royalty.

The Vaal Reefs company is paying an interim dividend of 100 cents (61p), considerably more than the optimists had expected. It compares with 55 cents interim last year and a final of 60 cents. (The Anglo group has changed the timing of its dividend declarations.)

Union Corporation chose the occasion of its quarterly mining reports to announce a new mine—and it is a mine with a difference. In the past South African uranium production has usually come as a by-product of gold. In the case of this new operation gold will be a by-product of uranium.

The new company is called Beisa Mines. It will be investing at least R200m (£122m) to bring a deposit some 15 miles south of the St. Helena gold mine in the Orange Free State to production by the second half of 1982.

Initally 100,000 tonnes of ore a month will be processed, but no ore grades have been published because of the blanket security restrictions of the South African Atomic Energy Act.

But the mine looks an expensive undertaking for its size. The capital cost will be the equivalent of R167 per annual tonne of product. This compares with R105 for the Deelkraal mine being developed by the Gold Fields group and testifies to the general escalation of costs faced by the industry.

GOLD DIVIDENDS

	June 1978 cents	Dec. 1977 cents	June 1977 cents	Dec. 1976 cents
Blyvoor	33	*30	25	*21
Buffels	110	*60	90	*40
Doornf'tn	30	*20	10	*5
Durban	*nil	nil	*nil	nil
E. Dagga	*25	20	*nil	nil
E. Drie.	*40	43	*35	40
E.R. Prop.	*nil	nil	*nil	nil
Elsburg	*5.2	4.55	*3.9	4.55
Grootvlei	*16	14	‡*10	4
Hartebst.	175	*75	70	*65
Kloof	25	*15	15	*15
Libanon	60	*40	40	*5
Marievale	*32	24	*22	17
R'ndf'tn	*200	200	*150	100
S.A. Lands	*nil	nil	*nil	nil
Southvaal	—	21	—	6
Stilf'tn	*16	11	*11	11
Vaal Rfs.	*100	60	*55	60
Venters	20	*5	5	*nil
Vlakft'n	*nil	15	*10	5
W. Areas	*8	7	*6	7
W. Drie	250	*135	145	*135
W. Deep	*65	47.5	*35	45
W. R. Cons.	*7.5	10	*3	5
Zandpan	29.5	*12	11.5	*10.5

*Denotes interim.
‡Including capital return of 5 cents.

GOLD MINE NET PROFITS

	June quarter R000s	March quarter R000s	Dec. quarter R000s	Sept. quarter R000s
Blyvooruitzicht	8,215	6,930	4,489	5,209
Bracken	1,858	1,439	1,309	935
Buffelsfontein	10,825	8,724	8,724	6,970
Doornfontein	3,816	2,588	2,780	1,860
Durban Deep	†1,350	†609	†771	*†674
E. Daggafontein	‡178	‡140	‡403	‡617
E. Driefontein	23,040	20,446	25,147	19,554
ERGO	1,188	881	—	—
E. Rand Pty.	†1,979	†721	†1,965	†228
E. Transvaal	1,552	603	479	396
F. S. Geduld	23,404	17,798	16,729	§28,834
Grootvlei	1,162	1,168	1,529	966
Harmony	12,448	7,026	8,623	2,220
Hartebeest	13,806	11,796	9,403	8,027
Kinross	3,844	3,144	3,119	2,486
Kloof	11,134	7,642	6,525	5,702
Leslie	1,212	597	528	265
Libanon	4,921	3,883	4,155	2,822
Loraine	†871	†439	†940	†393
Marievale	814	142	867	460
President Brand	17,188	11,032	9,531	7,815
President Steyn	12,309	7,605	10,098	10,879
Randfontein	18,357	13,337	14,673	11,452
St. Helena	5,107	4,394	4,859	4,537
S. African Land	‡613	‡242	‡1,315	‡388
S. Roodepoort	†70	†8	†21	*6
Stilfontein	4,117	1,858	2,741	1,067
Vaal Reefs	39,727	19,614	32,540	14,610
Venterspost	¶1,525	†123	†1,058	†786
Vlakfontein	436	156	*136	*7
Welkom	3,972	2,479	2,668	1,950
W. Driefontein	26,715	22,188	23,703	18,025
W. Rand Consold.	1,131	†470	†319	†1,026
Western Areas	7,314	3,432	7,236	3,359
Western Deep	20,216	14,221	15,166	11,516
Western Holdings	12,832	9,250	9,409	7,818
Winkelhaak	5,313	4,418	4,559	3,402

* Loss. † After receipt of State aid. ‡ Net surplus includes sale of capital items following cessation of mining. § Pre-tax profit. ¶ After state aid repayment.

Cinderella makes £18,000

SALEROOM
PAMELA JUDGE

Sir John Everett Millais's Cinderella, the model for which was Miss Beatrice Buxstone, an actress, made £18,000 yesterday in a sale of Victorian pictures at Christie's. Signed and dated 1881, it is one of three pictures from the same period in which the same sitter was used. The work was exhibited at the Royal Academy, of which Sir John was later to become president, in the year in which it was painted.

It was one of two pictures by Millais in a sale which realised £375,270. The other, Dew Drenched Furze, dating from 1890, also went to an anonymous bidder at £1,100. It was last sold at Christie's in May, 1910 for 720 guineas.

MacConnal-Mason paid £16,000 for a wooded river landscape with a cottage and a horse-drawn cart, by Frederick William Watts and Roy Miles gave £15,000 for an angel by John Melhuish Strudwick. The latter was last sold as one of a pair of pictures at Christie's in June 1943 for 21 guineas.

A picture of Windsor from the Brocas Meadows by Alfred Vickers, signed and dated 1854, sold anonymously at £9,500 as did another wooden river landscape by Frederick William Watts, this time with figures by cottages and ducks on a pond, at £8,500.

In a sale of music instruments at Christie's which totalled £150,183, a violin by Antonio Stradivari 1726, was to contribute £45,000 to the total. A violin by Nicolo Amati, 1651, made £18,000 and a similar instrument by Thomas Balestrieri (Cremona) 1763, made £12,000. Hillman paid £9,000 for a violin by Tomaso Eberle.

Stanley Gibbons' two-day auction of Great Britain stamps and postal history made £67,910. A used strip of three of the 1867-1883 £5 orange from Plate I, each of the stamps showing central date stamps of Cheltenham, sold for £1,800 and a 1911 dyeproof in green bearing the "Downey" portrait of King George V, realised £1,050.

An unused imperforate block of six of the 1970 Christmas 5d stamp fetched £340. The same price was realised for an unused block of eight of the 1971-77 "Machin" 11p brown-red, also imperforate.

Sotheby's Belgravia held a sale of English prints which made a total of £55,771. The highest price was given by a Surrey dealer—£20,000 for six volumes published in 1849 depicting the Holy Land, Syria, Idumea, Egypt and Nubia. A pair of mezzotints by Richard Earlom fetched £1,500 from F. Denneville and the next highest price was £750 by R. S. Dixon for an album of decorative prints by Bartolozzi.

In New Bond Street Sotheby's sold oak furniture, tapestries, works of art pewter and oriental rugs and carpets. The day-long event amounted to £110,156. A late Gothic oak chest with a moulded hinged top went for £2,600 to a private dealer and a similar chest fetched £2,200. An American dealer gave £1,900 for a Flemish Old Testament tapestry and a Queen Anne oak bureau cabinet was bought by a Norwich dealer for £1,850.

In Chancery Lane the same house finished its two-day sale of books. The total for yesterday was £16,256 bringing the whole event to £30,451.

FINANCE AND THE FAMILY

Damage from water

BY OUR LEGAL STAFF

My neighbour has built a garage adjacent to mine and as a result of inadequate guttering water seeps into my garage and the wall is being damaged. I have pointed this out to my neighbour without response. I have been given to understand that my neighbour's garage was probably constructed in contravention of the building regulations. What, please, is my legal position?

It is a general principle of law that no person by his building activities is entitled to cause more water to run onto his neighbour's land than would otherwise be the case. If in fact your neighbour's building contravenes the building regulations, no harm at least would appear to be done by bringing it to the attention of the authorities.

Becoming a village green

I applied for planning permission to build on some "white" land, between which and the public road there is a grass verge. Permission was refused and I appealed to the Department of the Environment, who granted permission on condition that the approval of the Local Council was given for the siting, design etc. Between the site and the road is a grass verge and on the other side of the road the village green. I wanted to build an access for vehicles over the verge, which must have been there since the road was built centuries ago, but the Council says no as "no person or persons has registered any claim to access across the strip of land in question to the Appeal site, either on foot or with or without vehicles or animals." What can I do about this?

There could be some force in the claim now put forward on behalf of the Council. The Commons Registration Act required all commons and village greens to be registered and the registration is conclusive evidence of the status of the land as a common or village green. If land was wrongly so registered but no obligation was made to the registration, the land in question will have become a village green. You should consult a solicitor.

Insuring a loan

I am considering a move into accommodation which provides a certain amount of services in return for an unsecured loan, repayable only when the accommodation has been relet. Can I insure against a failure to repay the loan?

The risk you mention is an insurable interest. It should therefore be possible to have a policy written for you. You should consult insurance brokers, as the policy you require can probably best be obtained from Lloyd's underwriters in London.

An easement of support

What, please, are the rights of support for a party wall which has been supported by a building on one side for over 50 years? If so, and the supporting building is demolished, what kind of structure can be erected in its place and who pays for it?

A wall which has been supported by a building for over 20 years will have acquired a prescriptive easement of support. The owner of the wall, or of part of it, can insist on the maintenance or restoration of support for the wall, but not on the kind of support. The owner of the support which was removed must pay for restoring the support.

Fence as a clothes line

My mother's neighbour uses the fence between their houses as a clothes line, with the clothes dripping and blowing over the garden path. Is the local authority empowered to stop this sort of conduct? What can be done?

Your mother's neighbour is certainly not entitled to hang clothes so that they blow over and drip on your mother's garden path. She would be within her rights if she removed them and threw them into the neighbour's garden. It might be possible to obtain a Court injunction to stop the neighbour from this practice. If the local authority is the landlord, it can impose conditions regarding the use of fences.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Stamp duty and a leasehold flat

The leasehold of this flat of approximately 125 years was bought at £18,950—the Ground Rent being £25 per annum doubling every 25 years. Service charge is 3.4 per cent of the total annual cost of services. According to my information the stamp duty on purchase between £15,000/£20,000 is ½ per cent. Thus I paid £94.75 plus £48, Registry Fee. However, the Land Registry returned the conveyance stating that since the average rent payable under the lease is over £150 the stamp duty must be paid on the full rate of the premium. Accordingly they requested payment of additional duty of £284.25. This makes it a charge of 2 per cent, which is only payable on properties over £30,000. Is this justified? I could have offered £500 less for the flat or asked for £500 to be described as purchase of kitchen equipment and, thus, to stay a shade below £18,500.

The Land Registry's requisition is well-founded. The fact that duty is payable on rent where the average exceeds £150 may have misled your advisers into thinking that duty would be payable at a lesser rate on the rent element here, where the ground rent for the first three of the five periods is under £150. Of course the premium which you paid is geared to the rent, and vice versa; and an increase in one should be reflected in a decrease in the other. However the stamp duty payable would not normally affect the position. We doubt if a vendor of a long lease would reduce the premium by £500 on being pressed with the fact that the ground rent will add £284 to the purchaser's bill for stamp duty. Your main source of extra expense here lies in the length of the term—a 99-year lease would have incurred half the stamp duty on the rent element.

Tax for new residents

I live at present in Durban, South Africa. My investment income is £11,000, £4,500 of this is from British sources (mostly gilts on which there is no withholding tax), and the balance from foreign holdings. If during the current financial year I become a UK resident then I understand a lump sum tax payment will be due in January 1, 1979. This payment will be calculated from an assessment of 1977-78 income, viz. £11,000 per annum. My 1978-79 income will be only about £6,500 because some capital will be used for buying house, car, etc. If I sell all investments before reaching England and do not re-invest until after I arrive I believe tax cannot be assessed on £11,000 per annum because this income would not then continue. Could I please have your comments on these aspects and an opinion on what income would be used as a basis for assessment if I do liquidate?

Your fears are based on a false premise, fortunately. Broadly speaking, assessments (under cases III to V of Schedule D) are only based on the preceding year's income from a particular source if (a) that source is still held at the end of the year of assessment and (b) the income from that source is still being received without deduction of UK tax. After you become ordinarily resident in the U.K., your gilt-edged interest will be taxed at source (under schedule C); it is also quite likely that your overseas dividends and interest will suffer UK tax by deduction after you become resident here (unless they are mandated to a bank outside the UK) under section 159 of the Income and Corporation Taxes Act 1970. Even if some or all of your overseas income continues to be received without deduction of U.K. tax, you will not be assessable on the preceding year's income from holdings (or parts of holdings) which are sold during the year of assessment.

On the other hand, it may well be advantageous to bed-and-breakfast those of your holdings which stand above their original cost (in sterling terms), in order to establish a higher base cost for capital gains tax purposes. We take it that you have not been resident (or ordinarily resident) in the UK at any time during the past three years; that being so, you will by concession be regarded as exempt from UK capital gains tax until the date of your arrival in the UK — see concession D2 in booklet IR1 (1976) obtainable from the Inland Revenue Public Enquiry Room, Room 8, New Wing, Somerset House, Strand, London, Great Britain, WC2R 1LB. Bed-and-breakfast transactions after April 5 might, however, be regarded by the Inland Revenue as an attempt to use concession D2 for tax avoidance and booklet IR1 (1976) carries a warning that "a concession will not be given in any case where an attempt is made to use it for tax avoidance." The law provides that your liability to capital gains tax commences on April 6 before your arrival in the UK, but your liability will be modified if (as we presume) you have and expect to retain a Natal domicile of origin.

You will find general guidance in booklet IR20 (Residents and Non-residents: Liability to UK Tax) which is similarly obtainable from the Inland Revenue Public Enquiry Room, without charge.

When and what to tell

INSURANCE
JOHN PHILIP

YEARS AGO, as a fairly new boy in the motor claims department I had to handle each week a number of small personal injury claims, and one particularly has always remained clear in my mind. It was from a pedal cyclist who had come out of a factory entrance turning left on to a badly-lit stretch of road, only to be struck, almost immediately by a car going in the same direction. Initial assessment of the facts suggested that both cyclist and motorist ought to have seen one another and that, in legal terms, the cyclist was guilty of a high degree of contributory negligence. But the local investigator came up with an unhappy item of information—our motorist, he reported, was totally blind in his left eye; this fact caused us to take a totally different view of the claim, and not just from the liability aspect.

Reference to the original proposal form showed that this information had not been disclosed, despite a positive question on physical defects. But inquiry established that the motorist had been one-eyed for many years, had been driving accident free for the last decade, and so held himself as good as any normal two-eyed motorist: so we had a clear case of non-disclosure, which entitled us to say that the policy was void from the outset and that the motorist, so to speak, was on his own, as far as the cyclist's claim was concerned.

Fortunately for the motorist the cyclist's claim was not serious—a fractured arm which quickly mended—and the compensation payable was less than £100 (I said it was years ago) a sum within the motorist's capacity to pay. And, as I recall, the company continued to insure the motorist for many years afterwards, charging him a premium loading of 50 per cent on standard rates.

This old claim came to mind this week when I was forced into a discussion on motor insurance with my usual group of homebound fellow travellers.

The conversation arose because one of our number had just received his motor renewal notice, on which appeared the following words

"Renewal of your policy is invited on the basis of the material information you have provided at inception and subsequently. You must inform the company immediately of any material changes which may affect the company's invitation to renew and/or the terms offered."

Cutting short a long series of questions and answers I should perhaps explain that all British insurers agreed with the government last year to put this kind of warning on renewal notices—to remind policyholders of their legal duty of disclosure which revives at each renewal.

The duty is to disclose those facts which, in time honoured terminology, would affect the judgment of the prudent underwriter in deciding whether to write the risk and what terms to apply.

My enquirer said that he had recently had to start wearing spectacles while driving and asked was this a material fact? Bearing in mind the large number of bespectacled drivers on our roads, I was able first to say "no—not as a rule," but caution compelled me to ask more about my friend's eyesight: was there just a general, slow, change which so many of us suffer as we grow older, was one eye failing more than the other, and so on.

Reassured, I said "no" rather more firmly.

Motor insurers accept that, over the years, all policyholders undergo small physical and mental changes, many of which are subjectively unrecognised by the individuals concerned: these changes can in no way be material facts.

At the other extreme there are those substantial physical changes brought about by accident or illness, involving loss of sight, loss of limbs or loss of their use, which clearly and considerably affect the motorist's ability to drive.

Such changes are material facts and most certainly have to be disclosed at the time of renewal, so that insurers can decide whether or not to continue to provide cover, and if to continue, whether to charge extra premium, impose excesses and so on.

It is between these two extremes that there is a considerable grey area. At the risk of having motor insurers overwhelmed with information which they just do not want to know I can only say that if you think that a physical or any other fact may be material, then you should tell your insurers. Certainly this is the advice that insurers now give on proposal forms in consequence of their agreement with government.

Because disabilities vary so much so also do the underwriting terms which insurers apply in insuring the disabled motorist. In the more extreme case the newly disabled driver may in truth become a learner again, having to adjust not only to his or her own disabilities but perhaps to modified controls or perhaps to a new car. As time goes on and as the individual proves his ability to drive safely and claim free, so insurers will probably be prepared to modify the terms they have imposed.

When providing information on any new disability, or the degree of any continuing disability, the motorist may have to provide medical evidence—and this at his own expense. But there is no sense in the motorist obtaining a doctor's letter, certificate, or whatever until his insurers have positively indicated what it is they want the doctor to tell them.

COMMODITIES/Review of the week

S.American sellers hit coffee

BY OUR COMMODITIES STAFF

NEARBY LONDON coffee futures prices fell more than £100 a tonne yesterday as signs of increased willingness to sell on the part of several South and Central American mild coffee producers added to the "bearish" sentiment which had already been encouraged by fading Brazilian frost fears.

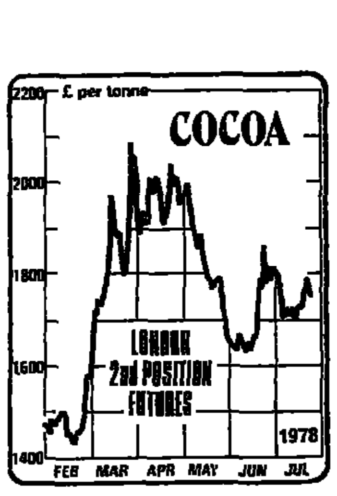
The fall took September coffee to £1,135.5 a tonne, down £151 on the week and the lowest second position closing level since April, 1976.

The Brazilian weather situation had dominated the market for most of the week with unusually high temperatures encouraging a continuing speculative sell-off. September delivery coffee has now lost £340 a tonne since the beginning of this month.

The Brazilian weather office inadvertently prompted a brief upsurge on Tuesday when it forecast a period of "unsettled weather" but it quickly corrected the false impression that it was signalling a significant frost risk and prices resumed their downward path.

The sharpness of yesterday's fall surprised many dealers, some of whom pointed out that the frost risk period still has another month to run. They said increased anxiety to sell by Brazil, Colombia, Mexico and El Salvador, among others, seemed to be the main reason for the fall.

Cocoa prices also fell yesterday. But the £23 decline in the September position still left the price £48 higher on the week.



A trade forecast that cocoa production will remain in surplus next year and the announcement of a surprise 7.5 per cent rise in second-quarter West German grindings were largely ignored in the market before concern over West African crop prospects boosted values in mid-week. Heavy rain is believed to have damaged flowering for next year's production in several producing countries.

But the upturn, which lifted September cocoa to £1,789 a tonne at one stage, was short-lived and dealers feel that yesterday's fall could signal further declines next week.

Any improvement before the end of the year in the 50 per cent reduction in copper deliveries from Zaire is "very unlikely," officials of Sozacom, the state marketing company announced yesterday.

A spokesman said there were no stocks of copper in Shaba Province — the mining region worst hit by the fighting during June. The entire production from the area was either in the pipeline or awaiting shipment at sea ports.

A plea of force majeure, reducing copper deliveries by half from July 1, was made on behalf of the Zairean state-owned mining concern Gecamines after fighting in Shaba province.

Some mines were reported to be flooded and many foreign technicians fled the area.

Output is now believed to be back to 20 per cent of normal. The mines usually provide 60 per cent of Gecamines' total copper supply.

The news prompted further advances on the London Metal Exchange yesterday afternoon in the wake of price increases earlier in the day prompted by expectations of a sizeable cut in warehouse stocks of copper.

Spot wirebars gained £7.50 on the day but were £10.75 a tonne lower on the week, closing at £704.

Cash and three months copper cathodes were £11.5 and £11.25 a tonne lower, closing yesterday at £699.75 and £720.50 a tonne respectively.

Sugar traders saw the London daily price for raws slump to £83.50 a tonne. This was the lowest since December 1972, although C. Czarnikow claims in its weekly report that the general downward movement of prices has been stopped.

Daily price yesterday was £84.50, [illegible] a 50p a tonne on the week. The October futures position fell £2.45 a tonne on the week, closing yesterday at £85.175.

WEEKLY PRICE CHANGES

[illegible]

MARKET REPORTS

BASE METALS

COPPER—Higher on the London Metal Exchange after short covering in an unreceptive market following the rise in New York overnight. Forward metal [illegible]

SILVER per troy oz.	Bullion fixing pricing	+ or −	L.M.E. close	+ or −
Spot	283.1p	+3.1	283.1p	+2.4
3 months	290.3p	+3.35	290.3p	+2.45
6 months	298.25p	+3.35	—	
12 months	315.15p	+3.26	—	

Three months 290.2, 90.4, 90.2, 90, 90.2. [illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

SILVER

[illegible]

COTTON

[illegible]

RUBBER

30.00. May unquoted-unquoted. Week's high-low: Dec. 58.04-58.95. Turnover: 109 lots (119).

SLIGHTLY EASIER opening on the London physical market. Fair interest throughout the day, closing uncertain. Lewis and Peat reported a Malaysian godown price of 231 (same) cents a kg (buyer, August).

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

WOOL FUTURES

[illegible]

MEAT/VEGETABLES

93.0, untraded. May 156.0, 87.0, untraded. July 187.0, 88.5, untraded, Oct. 190.0, 92.0, untraded, Dec. 190.0, 91.0, untraded. Total sales: 1 lot.

MEAT COMMISSION—Average fatstock prices at representative markets on July 21: GB—Cattle 70.67p per kg.l.w. (−0.42): UK—Sheep 139.1p per kg.est.d.c.w. (−4.8): GB—Pigs 62.6p per kg.l.w. (no change). England and Wales—Cattle [illegible]

[illegible]

GRIMSBY FISH—Supply good, demand fair. Prices at ship's side (unprocessed) per stone: Shelf cod £3.40-£4.20, codlings £2.20-£3.00; large haddock £4.00-£4.40, medium £3.00-£3.80, small £1.50-£3.00; large plaice £5.00-£6.00, medium £3.50-£4.50, best small £3.20-£3.50; large skinned dogfish £9.00, medium £5.50; large lemon soles £5.00, medium £3.00; saithe £1.60-£2.30.

INDICES

FINANCIAL TIMES

July 21	July 20	Month ago	Year ago
234.80	235.84	246.55	245.81

(Base: July 1, 1952=100)

REUTER'S

July 21	July 20	Month ago	Year ago
1417.3	1419.6	1494.9	1653.7

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	July 21	July 20	Month ago	Year ago
Spot	354.10	354.77	365.68	389.06
Futures	338.03	368.35	350.59	347.80

(Average 1924-25-26=100)

MOODY'S

Moody's	July 21	July 20	Month ago	Year ago
Staple Commodity	917.4	914.7	921.4	861.5

(December 31, 1931=100)

U.S. MARKETS

Metals rally sharply on Opel reports

NEW YORK, July 21.

PRECIOUS metals rallied sharply on Commission House buying on reports that the Opel panel agreed to peg oil prices to a basket of currencies. Copper rallied on speculative buying on reports of a Zaire force majeure. After the close the ILA announced that it would pursue approval to boycott Soviet flag vessels from August 7. Bache reports.

Cocoa—Sept. 148.00 (147.45), Dec. 142.70 (141.85), March 139.40, May 136.80, July 135.00, Sept. 133.25, Dec. 131.55. Sales: 658 lots.

Coffee—"C" Contract: July 125.50 (130.15), Sept. 117.02 (121.02), Dec. 110.84, March 105.75, May 103.50, July 102.37 asked, Sept. 101.95 asked, Dec. 101.00 asked. Sales: 565 lots.

Copper—July 62.90 (61.35), Aug. 63.10 (61.55), Sept. 63.70, Dec. 65.50, Jan. 66.10, March 67.20, May 68.25, July 69.30, Sept. 70.30, Dec. 71.80, Jan. 72.30, March 73.30. Sales: 9,000 lots.

Cotton—No. 2: Oct. 60.15-60.18 (60.01), Dec. 62.12-61.95 (62.00), March 63.70-63.75, May 64.60-64.70, July 65.65-65.75, Oct. 64.55-65.00, Dec. 63.80. Sales: 4,300 bales.

*Gold—July 195.90 (191.80), Aug. 193.30 (192.20), Sept. 197.90, Oct. 199.60, Dec. 203.50, Feb. 205.00, April 208.30, June 212.20, Aug. 215.50, Oct. 218.90, Dec. 222.30, Feb. 225.70, April 229.10. Sales: [illegible]

[illegible]

‡Soyabean Meal—[illegible] (166.40), Sept. 166 [illegible] 165.50-165.70, Dec. [illegible] March 168.00, May [illegible] 169.50.

Soyabean Oil—[illegible] Sept. 23.70-23.75 [illegible] Dec. 21.90-22.00, [illegible] 21.65, May 21.50-21 [illegible] Aug. 21.60-21.70.

Sugar—No. 11 [illegible] 6.24-6.25 (6.49), [illegible] 6.56-6.57, May 7.00, [illegible] 7.36, Oct. 7.46. Sales [illegible]

Tin—549-561 nom. [illegible]

**Wheat—Sept. [illegible] 320½-322 (315½), March [illegible] July 314.

WINNIPEG, July [illegible] bid (97.10), Oct. 97 [illegible] 95.90 bid, Dec. 96.10 [illegible]

††Oats—July 69.70 [illegible] 70.00 bid (69.50), [illegible] 70.30 asked, May 70 [illegible]

‡‡Barley—July 72.1 [illegible] 71.50-71.90 (71.50 bid) [illegible] March 72.40 bid, [illegible]

§§Flaxseed—July [illegible] Oct. 231.00 (228.00), [illegible] 230.00, May 236.00.

§§Wheat—SCWRS [illegible] content cif St. Lawrence [illegible]

All cents per [illegible] unless otherwise stated [illegible] ounce—100 ounce [illegible] $ per 100 lbs—Dept [illegible] vious day. Prime [illegible] tank cars. † Cents [illegible] warehouse, 5,000 [illegible] troy ounce for 60 [illegible] cent purity delivered [illegible] troy ounce ex-warehouse [illegible] contract in $s a short [illegible] of 100 short tons [illegible] Chicago, Toledo, St. [illegible] ** Cents per 60 lb [illegible] †† Cents per 34 lb bushel [illegible] 48 lb bushel ex-warehouse [illegible] 56 lb bushel ex-warehouse [illegible] lots. §§ $C per tonne [illegible]

YOUR SAVINGS AND INVESTMENTS

Coping with a loss of credit

CREDIT

ADRIENNE GLEESON

HAVE YOU ever applied for credit—in a department store or furniture retailers, an electrical shop or garage—and had them, inexplicably, turn you down? Here you are, a blameless citizen, with not so much as a £3 debt to the milkman to your name; you enjoy a sizeable income and possess a balance at the bank; and XYZ Stores decrees that you are not to be trusted with goods worth the odd few hundred pounds, 30 per cent down and 24 months to pay. What on earth are you to do about it?

Well, before you start threatening the store with an action for defamation of character, or its credit vetting agency with a visit from the heavies, it just might be worth your while to check that you are entered on the electoral roll. The what? The electoral roll. A check against the electoral roll for your area is the easiest way of establishing whether or not you do indeed live at the address you have given. If, like me, your last entry on the electoral roll is five years and three addresses out of date (must do something about it), you are all too likely to be turned down flat.

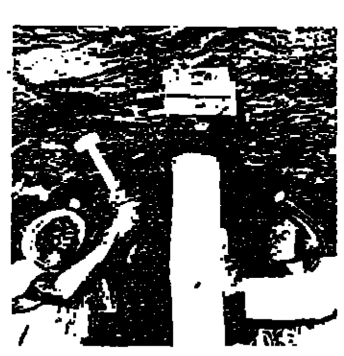
This useful nugget of information emerged last week from a visit to Credit Data's London and Southeastern regional office in Woodside Park. Credit Data is Britain's biggest (and only publicly quoted) credit vetting agency, the proud processor of 10 million files on the misdeeds of the customer. Some 2¼ million of those files (duplicated elsewhere) are kept by a team of jolly ladies in Woodside Park.

Every few weeks these jolly ladies receive from the Lord Chancellor's department a batch of cards recording judgments in the courts for debt. These are filed: and it is the information they contain that Credit Data supplies to its subscribers.

By implication, then, you have to be guilty of quite grievous error before you rate an entry in the files. However pressing his reminders, however appropriate your guilt, that unpaid bill from your wine merchant will not upset your standing with the nation's retailers at large—not unless he has taken you to court, obtained judgment against you.

What happens, however, if your name is duly entered on the electoral roll, your past is free of errors, whether grievous or otherwise, and *still* the retailers refuse you credit? It is unlikely, but it is not impossible, that an error has been made. In any case you are fully entitled to take a look at your file.

Under section 157 of the Consumer Credit Act 1974 you first of all write to the retailer (within 28 days of an attempt to obtain credit), asking him for the name and address of his credit vetter. Then, under section 158, you write to the agency asking for a copy of your file (giving them enough details to identify it and enclosing a 25p fee). They are obliged to provide it, or a transcript of its contents, in "plain English." And if you find that errors have been made —wrong address, wrong initials, wrong person altogether—you are entitled to insist that corrections should be made.



Digging for gold

Cutting sugar cane

An offshore route to commodities

ON THE face of it commodity investment looks like a perfect case for application of the principles which form the basis for managed funds. Investing directly in commodities requires a very large amount of money: for they do not come in small packages in the financial markets. It also requires nerves of steel, for prices go up and down at a rate which would leave the Stock Market standing on even the best or worst of days. And finally it requires a great deal of liquidity, for the commodity exchanges do not wait until a contract is closed out to see the colour of your money: they want you to put up margins as the prices move. And yet commodities can — when world markets are right and currencies are wrong — be one of the best investments going.

On the face of it a managed fund, sufficiently large to spread the risks across a number of holdings, and sufficiently professional to deploy both its primary investments and its liquidity to best advantage, sounds like the perfect solution to all three problems. There is, however, no way that a commodity unit trust could be established on the British mainland: Department of Trade regulations would not permit it.

In the wake of last week's thoughts on the accessibility to British residents of offshore funds invested in gilts, it occurred to me to wonder if there was any reason why those who wanted to put their money into commodities themselves (as opposed to into commodity shares, which is the nearest you can get to it with a managed fund on the mainland), should not follow the very same route?

And the answers? In foreign exchange terms, no, there is not —not unless you choose one of the trusts denominated in a foreign currency, in which case you will have to invest through the dollar premium, as with any other overseas security.

In tax terms it depends on who you talk to. The Revenue's answer is also *no* provided income and capital gains are declared, and there is no attempt at evading tax. The income will be taxed at your marginal rate, of course, and the capital gains will not qualify for the tax credit available to investors in an authorised unit trust on the mainland: you have to hope that your gains will be large enough to offset that somewhat marginal disadvantage.

Elsewhere, however, people harbour dark suspicions about the Revenue. In particular they fear the imposition of the dreaded section 478.

Section 478 of the Income and Corporation Taxes Act 1970 is something of a catch-all designed to prevent individuals from holding an asset abroad in such a way that the income or capital growth which it produces is not received as taxable income in this country. So widely is it drawn that the question arises: even if the Revenue has no present intention of chasing innocent investors in a genuine fund by means of its provisions, might not the Revenue change its mind?

There is, moreover, an incipient danger on the capital gains tax front, arising from what is known as the Norman Wisdom case. Norman Wisdom put his money into silver at a particularly well chosen moment, made a *killing*—but then the courts held that it was income rather than capital gain, and should be taxed accordingly. The Revenue's enthusiasm for this line of argument is, however, thought to be tempered by the reflection that, if such a gain may be treated as taxable income, a loss, in the converse, could be set off against income too.

In the event there is one offshore commodity fund, Save and Prosper (Jersey) Commodity, set up with the objects of British residents specifically in view (albeit with a caveat to the possible change in the interpretation of section 478). Rothschilds, too, has a Jersey based commodity fund—Old Court Commodity.

Storing coffee

New money for Old Peculier

BY THEIR nature investment trusts are an excellent vehicle for investment in small businesses which will take a certain time to reach maturity. Unlike unit trusts, investment trusts do not get the owners of their capital beating at the door to demand the return of their money: and they can in consequence afford to take the longer view. To do them justice, plenty of them have realised it—notably the Scottish trusts, which gambled and won some years ago on the longer term potential of North Sea oil. Last weekend we had news of another such venture, in a rather different direction.

London Trust has put £400,000 into Theakston's Brewery. Relative to the assets of the trust—a thumping £75m—the stake is tiny: but it does represent something of a departure in that London will end up with 48 per cent of the company's equity.

The management of this trust has made a practice of putting its money into a combination of venture situations and the solidest of solid blue chips: this time, however, it is to put some expertise into Theakstons too. The expertise, of the financial variety, is that of London's Richard Templeton, who is—once the formalities are completed—to go onto the board at the company's invitation.

At Theakston's they appear to view the deal with a mixture of resignation and enthusiasm. The Masham-based brewer of the famous Old Peculier has just emerged from a period of heavy losses, incurred as the struggled to digest the vast increase in capacity which came with the acquisition of the Carlisle brewery from the Government in 1974.

Why, then, was the family—which owns the vast majority of the shares—prepared to see its stake diluted through the incursion of an institutional shareholder? Well, the company was grotesquely under-capitalised with £3m of business a year to its name, and a mere £24,000 worth of capital in the books. And the management wanted money for expansion.

A newcomer to unit trusts

AT A TIME when scarcely a week goes by, it seems, without the news that another unit trust group is going out of business, it is a curious fact that one set of very experienced unit trust managers is now setting up in business on its own. Setting up, too, with the apparent blessings of the Department of Trade, which cleared its application to establish three new unit trusts in, so chairman Ken Renton remarks, "forty minutes flat."

Craigmount Trust Managers is the name of this infant prodigy, the offspring of the fund management company established by the trio which defected from Tyndall last year when its investment division was moved from London to Bristol. Ken Renton himself, after six years with Tyndall, was keen on setting up in business on his own account; and fellow-directors Richard Latham and Robert Armstrode, set on remaining in the south east, seized the chance to reconstitute a part of the Tyndall team.

In the first place—not necessarily because it will be the most important part of the new group, but because it is the best established—they aim to manage funds for private clients with £50,000 and more to invest. They reckon to charge one per cent per annum and are, according to Ken Renton, "working all hours of the day and night at the moment."

In the second place they are going after private institutional funds, with some hope of poaching on some of the most hallowed preserves in the City. And in the third, they are setting up in unit trust management on their own account.

To some extent this last development is fortuitous. Past connections brought a request from a stockbroker that the team should manage an in-house fund for them: and having set up the trust management company, Craigmount decided that they might as well introduce a couple of trusts of their own. They are reckoning to start off in September with a high income fund and an American fund, with £½m at least committed to each at the start.

Conversion terms

CONVERSION TERMS for the June, 1973, issue of British Savings Bonds were announced last week, but since they don't come into effect until the middle of November you don't need to do more than store the information away for future reference at the moment. The 7 per cent British Savings Bonds (Fifth Conversion Issue) will mature on November 15, 1978, and the bonds are repayable at £103 per cent upon application. Should you prefer, however, you can collect your last tranche of interest and your £3 per cent bonus, and put the money back into 8½ per cent British Savings Bonds (Fourth Conversion Issue), which will be repayable at £104 per cent on maturity. Obviously there isn't much point in your making up your mind yet what you intend to do: that will depend on the level of interest rates when we get to mid-November.

More luck for LAIT

A HAPPY star seems to have shone upon the fortunes of the shareholders in London and Aberdeen Investment Trust ever since the directors of the company started thinking back in May that it might be advisable to take it apart with a view to eliminating the double discount arising from its holding in Stockholders' Investment Trust. Not only did the holding of Texas Land and Mortgage turn out to be far more valuable than the company ever visualised—far more valuable than the receiver himself visualised, if it comes to that—but the intervening budget, with its changed provisions for the taxation of investment trusts, has cut substantially the company's tax liability. Question: have LAIT's former holders taken their star with them to Stockholders, whose shares—now languishing on an above average discount of 30 per cent—could do with it?

Commission on a switch

LIFE ASSURANCE brokers are now being called upon by their clients to provide investment advice. But good advice is expensive, though many brokers have been reluctant to ask their clients for a fee to provide continuing investment advice, especially if the advice is to do nothing. Leading brokers Towry Law have in fact called on the life companies to pay commission on investment bonds, so that they can finance this service.

Last week it was revealed that one life company, Lloyd's Life, has heeded this cry for help. It is now paying commission on the policy anniversary for its Option 5 bond, at the rate of ¼ per cent of the bid value of the bond. In return, the initial rate of commission is being reduced from four to 3½ per cent.

PROPERTY

Lower Woodend House is near Marlow in Buckinghamshire. Set high enough to have views over the surrounding countryside it has six bedrooms, two bathrooms, three reception rooms and a staff/guest section. The asking price is in excess of £125,000

This Bournemouth house was built in 1950 and stands in about an acre of ground. Called Shalom it is in East Cliff and is for sale through Knight Frank & Rutley and Goadsby and Harding with an asking price of £150,000-plus. There are three reception rooms, five bedrooms, two bathrooms and a dressing room. Other features include an indoor heated pool and a floodlit tennis court.

Funds for thought

BY ARTHUR SANDLES

WHEN Mr. Leonard Williams, chief general manager of the Nationwide Building Society, talked this week of a slowing down in the rate of increase in house prices his words must have come as a relief for potential house buyers if not for house sellers. Mr. Williams talked of prices rising by about 1 per cent a month, which would be slightly less than half the pace of the first half of this year. He also made the point that it was impossible to tell whether the limitations on building society lending for house purchase in the second quarter of 1978 had any braking effect on house prices. But, he argued, they should be removed as soon as practicable, because they worked very crudely in their effect on the housing market.

The impact of lending policies on the housing market is a perennial subject for discussion and is likely to be so until housing supply, housing demand, mortgage money and society incomes are in equilibrium—in other words for ever.

One striking illustration of changing society attitudes having an effect on the market can be seen at the moment in central London. It was not too long ago that the major societies showed considerable reluctance to lend on conversions, or at least to lend a high proportion of the purchase price. Basement flats in converted Victorian properties were the knottiest of problems. As recently as three years ago you could find a good sized two bedroom basement flat in Pimlico, parts of Kensington and north of Swiss cottage for as little as £16-£18,000. The societies generally are more willing to lend on this type of property these days and this type of flat is now selling for at least £10,000 more.

Whether it is lending policies or not another phenomenon of the market at the moment, or at least the market in much of the south east of England, is the acute shortage of property in the mid to lower range on the market. Buyers these days do not have the range of choice they might have enjoyed a couple of years ago. Recently a friend in Hemel Hempstead found so many of his own acquaintances after the house he was selling thanks to a job change that he arranged a sealed bid auction among them and sold in excess of £40,000. In open bidding he would probably have got more, such was the shortage of comparable property on the market, but he could not bring himself to exploit people he knew.

In parts of the London suburbs agents have been driven once more to pushing circulars through letter boxes actually pleading for houses to sell, and sales of modern conventional three bed suburban houses within a few hours of offering are not unusual.

That this has not been accompanied by widespread gazumping may well be due to building society behaviour as well. The societies do not seem to be in any hurry to make decisions or release cash. This means that sellers have learned that a buyer in the hand (actually clutching cash or having his mortgage negotiations in full swing) is worth several in the bush.

At the moment we have mortgage restraint if not a mortgage famine; a shortage of lower priced modern properties in many urban areas; and price rises which, while not spectacular, are still high enough to be worrying. As Mr. Williams says it is a position in which "many first time buyers, as well as existing home owners, needing to move, were finding it more difficult to obtain mortgages."

There would seem to be no short term solution to this. The suspicion must be that if the societies were free politically and financially to lend whatever they wished the shortage of property would produce daunting increases in prices in some types of accommodation. So we are back to the old basic answer. It is only by increasing the housing stock in those areas where demand is strongest that the basic price/mortgage conundrum can be solved.

Little Whitgate was once a pair of cottages, modernised in 1971 and now for sale through the Chelmsford office of Savills. It has four bedrooms and a garden of about a third of an acre. There is an asking price of £58,000 for this house which is near Ongar in Essex. The house has gas-fired central heating and garaging for two cars

Around £70,000 is sought for Tanyard, a 15th century Kent farmhouse at Boughton Monchelsea, near Maidstone. Apart from the five bedrooms and two bathrooms there are five attic rooms and assorted outbuildings. Agents are Knight Frank and Rutley and Geering and Colyer

PROPERTY ESTATES AND FARMS: INVESTMENTS: SHOOTING: COUNTRY PROPERTY: OVERSEAS PROPERTY: LAND:

MOTORING

Chryslers in Caledonia

BY STUART MARSHALL

BY MID-AFTERNOON, I knew just how the American tourist had felt when he told his wife it had to be Rome because it was Wednesday.

The day had started early. A group of motoring correspondents met at Hopetoun House, the Marquess of Linlithgow's home on the outskirts of Edinburgh, to make the Grand Tour of Scotland. The idea was to visit six of the country's stateliest homes while simultaneously testing the fuel economy of the only cars produced in Scotland — Chrysler's Sunbeam and Avenger.

The first part was easy. A porridge and anything-else-you-fancied breakfast at Hopetoun followed by 40 mainly motorway miles to Scone Palace to admire a few of the treasures, nibble oatcakes and take coffee with the Earl and Countess of Mansfield. Less than an hour later our tyres crunched on the gravel drive of Glamis Castle for a lightning look at some royal memorabilia (it was the Queen Mother's home) and then head north-west for Blair Castle, seat of the Dukes of Atholl.

Having admired the collection of muskets we left Blair to the ear-splitting blast of a muzzle-loading field gun, though I could have sworn the Duke had really been rather pleased to see us. Weaving in and out of juggernauts and caravans on the unimproved stretches of A9, and making up time on the fast new bits, it was Nairn and Cawdor Castle next.

The Sunbeam's trip recorder said 196 miles as I parked alongside an immaculate 1938-ish Chrysler Six owned by Lord Cawdor and brought out specially for the occasion. A quick lunch and, head spinning with Scottish history and attendance statistics, I swapped the Sunbeam for an Avenger estate and began the 146-mile leg southwards to Inverary. Four castles down, two to go.

It took a little over three hours to get to Inverary where, by some miracle, the sun was still shining and Loch Fyne looked just as it does on the Scottish Tourist Board's posters. A bewilderingly quick peep at the treasures (thankfully, they escaped a disastrous fire three years ago and the castle has been fully restored) and away on the final 100 miles to Hopetoun.

It was now evening. By this time the car's thirst for petrol seemed less important than one's own need for refreshment. All thoughts of economy driving were forgotten and the cars were thrashed toward Hopetoun, a dram and some supper. Surprisingly, when the figures were totted up, the consumptions were good. The Sunbeam 1.3 litre had returned 33.9 mpg in the morning; the Avenger 1.6 estate did even better with 34.3 mpg for the second part of the tour.

The front-drive Alpine is the glamour car in the Chrysler range and the Sunbeam and Avenger (the former in essence a shorter, hatchback version of the latter) tend to be overlooked. They both went very well in what had started off as an economy run and ended up as an imitation club rally.

Apart from steering that feels quite heavy at low speeds, they handle nimbly. Both cars were willing to put up to 50 miles into the hour on roads that varied from motorway to single track lanes with passing places. Despite simple suspension, they ride comfortably enough, have excellent driving positions and gearboxes with silky synchromesh and fast, light changes. Neither car would have any trouble sustaining the French autoroute limit of 81 mph for hours on end.

Whether it is that Scotland handles its road money better than we do down south, or perhaps has more of it to spend per mile, but the surfaces were uniformly excellent wherever I drove. If there are any broken road edges and pot-holes in the Highlands, I didn't find them. Parts of the A9 are a mess and driving along them during the caravan swarming season will no doubt try the patience. But hopefully, the straightening out process will be on the way to completion next year.

No-one in his right mind would want to do the Grand Tour of Scotland in a single day. Spread over a week, it would make the core of a pleasant motoring holiday. The scenery is always attractive and sometimes superb and the six historic homes, as Michelin says of three star restaurants, are well worth a detour. One per day is enough. All have ample parking and refreshment facilities; some have nature trails and picnic sites. None of their noble owners has yet found it necessary to attract visitors with steam roundabouts or safari parks.

The strike that ought to miss

GOLF

BEN WRIGHT

PHILADELPHIA, July 21.

THERE IS no escape this week from the bizarre happenings at the Dutch Open Championship at Noordwijk, near The Hague and all their awful implications. One can hardly allow to pass unnoticed the first instance of industrial action I have heard of by professional golfers since 1896, when the largely Scottish-born band of expatriates threatened to withdraw from the U.S. Open Championship at Shinnecock Hills if a black man, part Shinnecock Indian, who had been involved in the construction of this magnificent golf course on Long Island, and was reputed to know its subtleties better than most, was allowed to compete.

Thankfully at Shinnecock, the United States Golf Association officials of the day informed the rebels that the championship would proceed without them if they cared to continue with their walk-out, and the first blatant example of colour prejudice in the game's history was summarily banished into oblivion.

Alas, we live in changed times. I bemoaned their action at the time when, largely due to the successful play of American Bob Byman in winning the 1977 Scandinavian and Dutch Opens before he earned his player's card on the U.S. tour, the European Tournament Players' Division changed their eligibility rules last winter.

"To avoid the continued probability of young American fledglings coming over to Britain and Europe in flocks when unable to qualify for the U.S. tour, and perhaps carrying off the lion's share of the prize money, the ETPD decreed that only foreigners with official PGA membership of their respective countries or a player's card would this year be able to compete on our tour unless they had already qualified by virtue of their position in the previous year's final Order of Merit.

Byman, and his younger brother Ed, both passed their examinations in America a mere month ago, so Bob was therefore doubly qualified to defend his Dutch title. Incidentally, he has been on the leader board in the closing stages of both events in which he has competed since graduating, the Western Open in Chicago and last week at St Andrews.

To say that I was horrified to learn here this week that the ETPD had ordered a boycott of all their players of the Dutch Open because the Netherlands Golf Federation had invited to play in the event three American golfers who have yet to win their cards, Kurt Cox, Bob Risch and former Walker Cup player, Scott Simpson, is an understatement.

Such action is a disgrace to a wonderful game that continues to boom because it is such an open test of individual character and because of the visible honesty and integrity of even its most humble protagonist.

It is easy to say that the ETPD action is symptomatic of our times, but nonetheless this is sadly true. In a British society that too often appears to value mediocrity far more highly than industry, not to speak of talent, is hardly surprising that the majority of our professional golfers, whose mediocrity and lack of industry have become a byword throughout the world, should strive so mightily to protect their own selfish interests.

For our players to protest that the Americans have made it very difficult for a foreign golfer to win a player's card here is stupid. Of course, these valuable documents for the multi-million-dollar U.S. tour are not about to be flung at Britons and Europeans like confetti at a society wedding.

The American tour is golf's super league and as such must be the summit of every ambitious professional's aspiration. No non-league football club has suddenly been offered a passport into the First Division in my lifetime. Yet Seve Ballesteros was recently offered a player's card here without having to attend the school.

Nor must we forget that Tony Jacklin, Peter Oosterhuis, Graham Marsh, Jack Newton and others have pitted their guts and skill against the flower of American youth at their respective schools, and not been found wanting in either department in winning their cards.

I cannot forget how first the presence of Arnold Palmer in 1960, shortly to be followed by Jack Nicklaus, successfully revitalised our Open Championship when it had reached a really low ebb in 1959. It was in that year that Gary Player first won the title at Muirfield at the age of 23 despite a two over par 6 at the final hole. The fact that he had little to beat is borne out when one remembers that Fred Bullock, a club professional who tied for second place, had his clubs pulled on a trolley by his daughter.

The ETPD action was described in a statement from the Netherlands Golf Federation on the eve of the championship as "a disgrace to the golfing profession," a statement with which I heartily argee. The Netherlands Federation has reserved the right for 59 years to invite ten players, and rightly refused to turn away three of their invitees, Cox, Risch and Simpson. And all credit to the young Americans in question for having the courage to stand their ground.

The facts of golfing life are that the U.S. tour can very well do without the best players that the British and European tour can offer. One could hardly blame American officials like Deane Beman, Commissioner of the USPGA tour, and those of the sister organisation if they were to take retaliatory action that would bring dreams of a true world golf tour crashing in ruins. How many of the current crop of commercial sponsors keeping alive the British and European tour would want to continue being associated with a lame duck if Beman refused to allow his players to appear in Britain and Europe, and the USPGA pulled out of the Ryder Cup series.

Such prompt action would be perfectly justified and would, I suspect, immediately bring to heel the pathetic barrack room lawyers of the ETPD, who dare to believe they are in a position of power to dictate terms to their faithful sponsors, and think they have just won a famous victory.

Face to face

WORLD CHESS

LEONARD BARDEN

THE FIRST week's play in the world chess championship, which opened at Baguio City in the Philippines on Monday, has provided a contrast between the correct and sporting behaviour of Karpov and Korchnoi at the board and the acrimonious pre-match arguments between their delegations.

The Russian world champion and his defector opponent shook hands before and after each game, while Karpov has offered draws directly to his opponent rather than via the referee which Soviet officials demanded in Korchnoi's previous matches. The score is 1—1 and both players are still sizing each other up.

The opening ceremonies enabled both sides to score personal and political points. Korchnoi's custom-made chair, imported from Switzerland and designed to ease the strain of back muscles during the five-hour playing session, had to be X-rayed at the local hospital when the Soviet delegation suspected hidden electronic devices.

It is probably unique for a leading USSR sportsman to defend a world championship against a defector, and the natural tension is heightened by the extreme length of the contest. Draws do not count, the overall winner has to beat his opponent six times, and the games could continue for two or three months or even longer. Thus the decision may eventually come through physical or mental weariness rather than pure chessability, and it is an open question whether Korchnoi, 47, but a fitness enthusiast, or Karpov, physically slight but 20 years younger, will have the greater stamina.

On pure chessability, most experts will back Karpov who has proved an outstanding champion since he won the title by default from Bobby Fischer and his classical game is almost devoid of error. Korchnoi's style is more exciting and like the man himself ready to take a risk; judged by past performance, he is more liable than Karpov to have the occasional off day.

But chess tournaments and matches are decided not only by ability but by fighting spirit and will to win: and Korchnoi's motivation buoyed by real and imagined injustices is as great as any title contender in the game's history.

His fight is not just with Karpov but with the Soviet chess establishment which he believes denied him equal chances when he met Karpov in 1974, and with the Leningrad political authorities who continue to refuse his wife and son exit visas to join him in the West. Professionally, too, Korchnoi has a target beyond the present match and its record £300,000 prize fund. The real jackpot in international chess will go to the grandmaster who persuades to reclusive Bobby Fischer out of retirement and back into the game which he abandoned after his 1972 series with Spassky. Karpov made two or three unsuccessful personal attempts to talk Fischer into a match. The difficulty is that Karpov is limited by the requirements of his Federation and of FIDE rules while Korchnoi, a lone maverick, might make flexible arrangements to suit Fischer's finicky playing requirements.

The first innovation of the match, Korchnoi's P-Q5 on move 14 of the second game, was prepared by the challenger's young grandmaster seconds Raymond Keene and Michael Stean. The successes of Keene and Stean, both in opening preparation and during adjournments, have contributed significantly to Korchnoi's earlier victories over official Russians. The USSR Chess Federation has now paid a compliment to their growing reputation by sending to Baguio as Karpov's assistants both the ex-world champion Mikhail Tal, widely considered the best tactician and fastest calculator of variations in the world, and Igor Zaitsev, the leading Soviet analyst.

OVERSEAS STUDENTS IN BRITISH STATE EDUCATION 1976-77

Where most of them came from:	Number of overseas students	% of grand total	Courses at universities: Number of overseas post-grads	% of total overseas post-grads	Number of overseas under-grads	% of total overseas under-grads	Polytechnics and colleges: Number of overseas degree students	% of total overseas degrees	Number of overseas at sub-degree	% of total overseas sub-degrees
Grand total	82,974	100.0	18,433	100.0	16,021	100.0	20,678	100.0	27,642	100.0
1. Malaysia*	11,958	14.4	743	4.0	3,338	20.9	3,946	19.1	3,931	14.2
2. Iran	9,202	11.1	1,457	7.9	598	3.7	1,717	8.3	5,430	19.6
3. Nigeria*	5,574	6.7	807	4.4	365	2.3	2,444	11.8	1,958	7.1
4. Hong Kong*	4,164	5.0	401	2.2	898	5.6	769	3.7	2,096	7.6
5. United States	3,442	4.2	1,247	6.8	1,624	10.1	255	1.2	316	1.1
6. Greece	3,281	3.9	1,178	6.4	592	3.7	736	3.6	775	2.8
7. Sri Lanka*	2,656	3.2	256	1.4	206	1.3	1,211	5.8	983	3.6
8. Iraq	1,896	2.3	1,210	6.6	97	0.6	234	1.1	355	1.3
9. India*	1,742	2.1	664	3.6	144	0.9	535	2.6	399	1.4
10. Kenya*	1,698	2.1	109	0.6	401	2.5	511	2.5	677	2.5
11. Cyprus*	1,625	2.0	134	0.7	356	2.2	490	2.4	645	2.3
12. Singapore*	1,618	1.9	166	0.9	626	3.9	626	3.0	200	0.7
13. Turkey	1,461	1.8	464	2.5	455	2.8	330	1.6	212	0.8
14. Rhodesia*	1,392	1.7	95	0.5	292	1.8	289	1.4	716	2.6
15. Pakistan	1,312	1.6	410	2.2	139	0.9	392	1.9	371	1.3
16. Jordan	1,147	1.4	151	0.8	178	1.1	126	0.6	692	2.5
17. Canada*	1,077	1.3	603	3.3	276	1.7	100	0.5	98	0.4
18. Venezuela	1,069	1.3	335	1.8	91	0.6	104	0.5	539	2.0
Totals of Top 18	56,314	68.0	10,430	56.6	10,676	66.6	14,815	71.6	20,393	73.8
Which types of subjects they studied:										
Arts and social studies	31,613	38.2	7,911	42.9	5,673	35.4	10,234	49.5	7,795	28.2
Science and technology	34,415	41.6	8,996	48.8	9,286	58.0	10,022	48.5	6,111	22.1
Medicine and allied	3,126	3.8	1,526	8.3	1,062	6.6	422	2.0	116	0.4
GCE/CSE	13,620	16.4	—	—	—	—	—	—	13,620	49.3
Grand total	82,774	100.0	18,433	100.0	16,021	100.0	20,678	100.0	27,642	100.0

* Commonwealth countries and United Kingdom Dependencies.

Who gains by taxpayers' subsidy?

EDUCATION

MICHAEL DIXON

ONE SURE way of incensing the National Union of Students is to argue that foreigners studying at British universities, polytechnics and further education colleges should be charged an economic fee.

There are clear grounds for this argument. The costs of such courses of study range up to more than £4,000 per student per year. And while some are considerably less expensive than this—especially those in arts and social studies which do not involve laboratory equipment—their *per capita* costs must still exceed the fees charged to the students from overseas.

The Government's recommended fees for these students for the next academic year starting in October are: universities — post-graduates £925, undergraduates £705; polytechnics and colleges—degree-level £705-£545, sub-degree £390.

But any suggestion that the resulting subsidy to foreign students is an unjustified burden on the British taxpayer, seems anathema to the National Union of Students.

The subsidy, NUS spokesmen assert, is if anything less than is due from the inhabitants of what is still a relatively rich country to the striving youth of extremely poor nations.

Doubt has now been cast on the NUS claim by figures just published by the British Council, from which the table above has been calculated.

It shows that, although students in British State higher and further education in 1976-77 came from 77 different lands, nearly seven in every ten were accounted for by only 18 countries. Of these 18, only Sri Lanka, India, Kenya and Pakistan are classified as poor developing countries with a gross national product of less than $280 per head a year.

Vital date

CRICKET

TREVOR BAILEY

THE APPOINTMENT of Doug Insole to manage the Australian tour this winter became a certainty once he had expressed his willingness to undertake this important job, because candidates with his credentials are very rare. I have no doubt that Doug will prove an able, successful and popular choice, something which cannot be said for several of his predecessors, who only possessed a limited knowledge of the game and small administrative ability.

As a player, Doug was an unconventional batsman with a wonderful eye, and the happy knack of frequently hitting good-length, respectable balls to the mid-wicket boundary, an "Insolean" strike, not to be found in any coaching manual. He scored heavily and consistently for Essex and was at his best against off-spin, in-swing, and in a crisis. On his one tour to South Africa as vice-captain under Peter May, he easily headed the England batting averages.

I am quite sure—and nobody batted more often with him — that he would have done far better in international matches in England if the selectors had picked him for more than one Test in any one summer, which cannot have helped to build up his confidence.

Doug captained Essex and Cambridge University with skill, enthusiasm and imagination, helped in some respects by his conviction that he was invariably right. While still playing regularly, he became a selector.

He was then a firm advocate that at least two of the four selectors should be active on the county circuit, a sensible policy which he did not pursue with the same passion once he had finished his playing career, and became chairman of the selectors.

Doug pursued a career in cricket politics for Essex County Cricket Club and at Lord's. He retires as chairman of the TCCB in September. As a young man, a forthright critic of the establishment, he has now become one of its most prominent and conservative members, though he fiercely denies this. Fortunately, he has retained his agile mind and pronounced sense of humour.

The Australian tour has always been a major cricketing event, but this winter's visit is far more important than most because it will be played against the Packer backcloth. Kerry Packer has many of the best cricketers in the world under contract, with entertainment their main consideration. Although his artificial World Series has not the same appeal as the genuine fight for the Ashes, the Anglo-Australian series must be exciting, otherwise the game will suffer.

Making sure that England's cricket is positive and attractive is probably Doug's most vital responsibility. If the people do not come and the matches are dull, the sponsors will lose interest, which in turn means there will be insufficient money to pay the players the amount now needed to stop them joining the Packer brigade.

I expect that Doug will also set about improving the image of the England team, which certainly has not been very impressive in Australia. A good manager can do much in this direction and he will be anxious to avoid any similarity to the track-suited shambles which masqueraded as the Australian side in England last summer.

TRAVEL

Wonder of cities

BY SYLVIE NICKELS

The statue of Manneken-Pis in Brussels

Terry Kirk

GETTING THE true feel of a country, a region or a city is of the essence of travel as far as I am concerned. Cities, being on the whole anonymous sorts of places, are the most difficult to crack. So, one of the reasons I rapidly took the Vienna on a recent first visit was just because there are so many essentially Viennese things to do.

A lot of them, as you might expect, are concerned with music in one form or other for, indeed, you can hardly turn a corner here without coming upon a statue, or a memorial plaque, or a building connected in some way with one of a dozen famous composers who made this city their home. Thus, within sight of a statue of Strauss in the City Park, the jaunty strains of his and others' music issues from the *Kursalon* at 4 p.m. each summer's afternoon. It's free entertainment if you sit on the grass or one of the benches behind the bandstand, as the Viennese of all ages do; or, for the price of some refreshment, you can instal yourself at a table in the open air café facing the orchestra.

Coffee houses have been part of the Viennese way of life since the late 17th century and became so indispensable that, even during the coffee famine of the Napoleonic Wars, they continued to flourish as a social necessity for the fashionable and the artistic. Sacher's, not forgetting its renowned *torte*, is the most famous, but there are plenty of others where the décor and the genteel clink of fine china and the displays of luscious cakes are still worth the somewhat swingeing price of up to £1 per cup. You don't, by the way, merely order coffee; there can be a dozen variations to choose from.

What the coffee house is to daytime Vienna, the *heuriger* is in the evening. *Heuriger* is both the name of the young wine from the last harvest and of the tavern in which it is quaffed, and you'll find any number of them in the villages on the northern outskirts of the city. The best known is Grinzing, which is also the most accessible since it is the terminal point of tram No 38 from the city centre. Most of these taverns have music, too, and a lot of jolly conviviality, no doubt assisted by the *heuriger* itself, which is served in quarter-litre tankards, often accompanied by spicey thirst-provoking titbits—so beware!

Classical music of all kinds and of the highest quality can be enjoyed in some often magnificent settings—none surely more magnificent than the State Opera House. Even if you cannot attend a performance here, it's well worth taking one of the guided tours for the crimson and gilt grandiosity of it all, the tapestries, the frescoes, the busts of famous composers and, from the first floor loggia, the view over the wide sweep of Vienna's "Ring."

This, a continuous circuit of broad boulevard, encloses much of the oldest parts of the city in which most main sights can thus easily be seen by means of a little gentle footslogging. But it cannot be rushed. The Hofburg Palace alone has around 2,000 rooms, quite a few of which can be visited, including the State Apartments and the famous 18th century hall of yet another very Viennese institution, the Spanish Riding School. It was in this hall that Beethoven once conducted a concert with over 1,000 musicians: and here, too, lavish tournaments and fancy dress balls were held in the regal presence of Empress Maria Theresa. Now, to the rhythms of the great composers, the school's magnificent Lippizaners and their riders display their superb skills beneath the glittering chandeliers.

But it's time to leave Vienna. Every city has its own special "thing" or collection of even quite small things that contribute to its particular aura. Quite often they cost little or nothing. The main requirement is to make time (yes, it *is* possible) for a little exploration, preferably on foot. On a busy business trip, I find these stolen unscheduled interludes are the best way of getting new perspectives—and a second wind. Thus I have beneficially idled away an hour or two watching open air contests of almost man-size chess in central squares of Stockholm; or lost myself among the crowds and incredible junkery of Madrid's Rastro market; or risen at some absurd dawn-like hour to watch the auction at Tokyo's fish market.

At times too I have fled the rain to slip into Breughel's world in a Brussels art gallery; or trudged across the winter ice to the islands of Helsinki's South Harbour; or tucked into Far Eastern gastronomic exotica at the open-air food stalls of Singapore; or applauded the health-enthusiasts jogging past some of the 2m tulips of Ottawa's parks in spring.

Some of these scenes one can chance upon, but it is wiser to do a modicum of research and, goodness knows, there is enough almost instant-knowledge available through the national tourist offices of each country, some of it most attractively presented. It is also worth inquiring about special two-or-more-day packages arranged by quite a few city tourist offices.

The cosy Swiss capital of Berne is one such, the package also including a sightseeing tour, some free local transport, a typical local evening meal and free admission to museums. Swissair have very reasonably priced stop-over packages for intercontinental travellers in both Zurich and Geneva, featuring all sorts of goodies. A number of airlines offer such stop-over "specials" in many major world cities.

Foreign city packages in general have become a popular and relatively inexpensive way of slipping away for a short break. Tour operators featuring these include Pegasus Holidays, 24, Earls Court Gardens, London SW5 0TA; Sovereign Holidays, PO Box 410, West London Terminal, Cromwell Road, London SW7 4ED: Crawford Perry Travel, 260a, Fulham Road, London SW10 9EL (for Switzerland); Time Off, 2a, Chester Close, Chester Street, London SW1X 7BQ.

Your weekend £: Austria 29.10, Belgium 61.60, France 8.36, Italy 1,578, Greece 66.5, Spain 144.5, Switzerland 3.40, U.S. 1.90. Source: Thomas Cook.

Those overlooked hydrangeas

GARDENING

ARTHUR HELLYER

HYDRANGEAS ARE in flower again but no one is likely to shout about it as hundreds of aficionados shout each spring about the rhododendrons. Yet hydrangeas, carefully chosen and well used, can do for the garden in late summer very much what rhododendrons do for it in spring, filling it with bloom in such quantity that even the leaves of the bushes can scarcely be seen.

Admittedly this is not true of all hydrangeas but neither is it of all rhododendrons. One must pick wisely, particularly among the innumerable varieties and hybrids of *Hydrangea macrophylla*, studiously avoiding those (and they are still in a majority, though a diminishing one) that have been specially bred or selected for the lucrative pot trade and are either shy flowering or rather tender in the open in many parts of Britain, and instead concentrating on varieties that grow well outdoors.

A very good one to start with, because it is readily available and always performs well, is General Vicomtesse de Vibraye, a resounding mouthful of a name usually abbreviated in catalogues to Vibraye. By comparison with some of the popular greenhouse hydrangeas, such as Hamburg and Europa, this has rather long, thin stems and makes a big, fairly loose bush. The flower heads, too, are no more than medium size, puny by comparison with that pale monster Joseph Banks, which fills seaside gardens with its immense mauve mop-heads, but it flowers freely and reliably, and, in any slightly acid soil, comes a wonderfully pure blue.

Soil has a great bearing on the colour of all these garden varieties of hydrangea except those that are white which are totally unaffected by it. The critical element seems to be aluminium which, in an alkaline soil, becomes locked insolubly and is unavailable to hydrangeas.

Lacking it they are unable to produce any blue pigment and the flower develops in some shade of pink or red. In an acid soil the colour usually changes to blue or violet-purple according to variety and the amount of available aluminium.

Under these conditions one can deepen or change the colour still further by adding alum to the soil or using one of the proprietary hydrangea blueing compounds but it is really a waste of time to attempt this on markedly alkaline soil since treatment will either have little effect or will dull the otherwise rich or pure crimson and pink colours. In fact, though gardeners often talk as if blue hydrangeas were the only ones worth growing, it is arguable that pink and red ones are even more valuable in the garden.

The hydrangeas with ball-shaped heads of flowers are all garden varieties, more or less sterile and incapable of maintaining themselves by seed. The wild hydrangeas are quite different, carrying their flowers in flat heads in which only the outer ring of flowers are sterile, with starry bracts (they are not really flowers though they look like them) and the centre of each flower head is composed of very small fertile flowers. One can see the same phenomenon in some viburnums and with these the sterile forms are called "snowball trees," an appropriate and easily understood name.

Mop-headed hydrangeas are usually called "Hortensias" which is by no means so obvious, but the sterile forms have been given the charming name of "Lacecaps." They are among the loveliest hydrangeas for garden decoration though they are incapable of making the solid display of the Hortensias. Incidentally, most of the Lacecaps are hardy, presumably because this type has never appealed to the market producer of pot plants who grow hydrangeas in glass-houses.

Such growers do not mind whether they are hardy or tender, or even free flowering, so long as they will produce one large flower head on a robust stem in a few months. It is this demand that has caused all the difficulty in getting good garden hydrangeas but this is at last being rectified by breeders who are producing varieties specially for cultivation out of doors. In this they have been helped by the availability of another species, *Hydrangea serrata*, which, like *H. macrophylla*, grows wild in Japan but in colder more mountainous places, not near the coast, and is therefore considerably hardier. Some of the best lacecap varieties stem from this species, such as Bluebird which, despite its name, is seldom more than pale blue and is quite often pink; Grayswood, which starts more or less white but becomes increasingly tinged with red as it ages, and Rosealba which displays the same peculiarity to a much greater degree, the flowers becoming largely crimson with age. Even in acid soils this variety never becomes blue.

The best white Laceacp is Lanarth White with huge white bracts around a bead-like cluster of pale blue or pink fertile flowers. Madame Emille Mouilliere is the best ball-headed white, with bracts as large as those of Lanarth White but deckle edged instead of smooth and with a tendency to become pink stained as they age or if grown in strong sunshine. Ayesha is a unique variety with small cup-shaped flowers, a little like those of lilac, and often pale lilac pink in colour though this can vary.

One of the merits of hydrangeas as garden shrubs is that they will grow and flower well in sun or shade. Bright light tends to restrict their growth and, I think, may intensify the colour of some varieties. All like plenty of moisture and suffer rather badly in very dry years such as 1976. They will grow away strongly even when hard pruned but with the *Hydrangea macrophylla* and *H. serrata* varieties pruning restricts, or even prevents, flowering for one year.

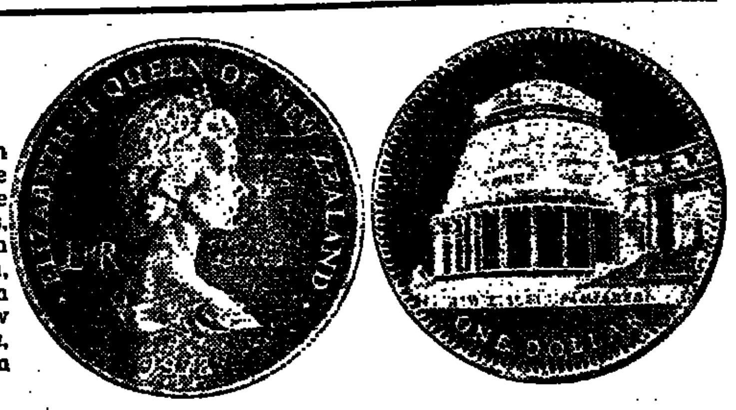
So with these varieties it is best to reduce the size of bushes by removing a few branches entirely each year but leaving others at full length, simply removing the faded flower heads. Whether this is done in autumn or late winter is a matter of taste and temperament. I prefer the dead flower heads to bare stems and also think that they afford some protection to the terminal growth buds from which the following year's flower stems will be produced. But tidy gardeners will not tolerate this slovenly behaviour and must have the flower heads off directly they turn paper brown.

Whatever your preference do not be in too great haste for some varieties, notably Altona and Westfalen, have the delightful habit of turning to rich and extraordinary shades of metallic green and purple before they finally become brown. Autumn can be the most rewarding part of the hydrangea season if one plants well.

And still it's Jubilee

COINS

JAMES MACKAY



New Zealand's dollar

LIKE THE Silver Jubilee, the Coronation 25th Anniversary (dubbed by some entrepreneurs as the Coronation Silver Jubilee) is one of those events which refuses to lie down or fade away gracefully. So far as stamps—and the various spin-offs ranging from black prints to metallic replicas—are concerned there is seemingly no end to the material which continues to pour forth for this event. Numismatists have been far more modestly served and fewer coins and medals have honoured the Coronation than the Jubilee last year.

Of course, the Royal Mint is still busily churning out a seemingly endless spate of Silver Jubilee coins. I seem to recall that when this issue was originally announced there was a limit to the allocation per customer, but this proviso has been absent in the recent massive advertising campaign for Jubilee silver crowns —still available at the £12.50 asking price of 18 months ago. The only man likely to profit from his collection of British Silver Jubilee crowns, I fear, is the lucky Yorkshireman who recently found a crown with a circular depression on the obverse, blotting out the Queen's horse. This "rogue" piece was created by the accidental feeding of a bronze blank for a 1p coin into the press at the same time as the crown blank. But before I am deluged by readers' letters I should point out that mis-strikes of British coins seem to be alarmingly common these days and are generally of little more than curiosity value.

The Royal Mint has found time to contribute a coin to the current royal theme. This is a crown celebrating the recent visit of the Queen to the bailiwick of Guernsey. It has been struck in cupro-nickel for general circulation and in proof sterling silver as a collector's piece. A curious feature of Guernsey's circulating coins is that they do not portray the Queen, but have the arms of the bailiwick on the obverse. For this special crown the arms have been transferred to the reverse and the Machin profile of the Queen graces the obverse.

The neighbouring island of Alderney, which has been battling with Guernsey for some time now over the right to have its own stamps and coins, celebrated the royal visit with a crown-sized silver medallion, with the arms of Alderney on one side and an attractive view of the Royal Yacht *Britannia*, against a map of the island, on the other.

Those countries which produce annual sets of circulating coinage with the new date have also managed to work the Coronation theme into their current offerings. The New Zealand Treasury has just announced the details of its 1978 coin sets and individual dollars. The 1978 set comprises 7 coins from the bronze 1 cent to the cupro-nickel dollar. A proof version of the set includes the new dollar in sterling silver. The lower denominations are in the same designs as earlier years, but the dollar is a commemorative piece three times over.

The reverse depicts the east view of the "Beehive," the new parliament building designed by Sir Basil Spence which is scheduled for completion later this year.

The obverse shows the Machin profile of the Queen, flanked by the royal cypher and the legend "Coronation 2 June 1953." The coins were designed by James Berry of New Zealand and have been produced at the Royal Canadian Mint, Ottawa. Uncirculated sets and proof sets are now available from the New Zealand High Commission, Haymarket, London SW1Y 4TQ at £2.60 and £12.50 respectively.

The Isle of Man is issuing uncirculated silver and platinum proof sets of its circulating coinage, from the ½p to the new £1 coin with a Coronation Anniversary plaque. These are being struck at the Pobjoy Mint, Sutton, Surrey from whom they are available at £46.50 and £920 respectively. As only 600 platinum sets are being issued they tend to be snapped up rather quickly by the American market where the demand for low-mintage issues is inevitably greater than the supply.

On the subject of the new Manx pound coin there have been several inaccuracies in recent press reports. Firstly, the cost of producing such a coin is about 10p, but a pound note costs only 2½p—not the same cost but still a considerable saving when the life of a pound not is a matter of months and a coin circulates for 25-30 years. Secondly the virenium alloy used is not cheaper but more expensive than conventional cupro-nickel. It is not clad steel but has a pure nickel core in a sandwich of a cupro-nickel-zinc alloy containing a magnetic ingredient which gives the metal its unique security factor. Sharp-eyed collectors have already spotted the curious pattern of die-marks on the reverse of these coins. These identify the particular set of dies from which the coins are struck and are a further precaution against counterfeiting.

CHESS

LEONARD BARDEN

Last year's international at Tiflis, USSR, provided a rare instance of a grandmaster playing two miniatures in the same event. The first game is highly original, and also a parody of novice chess: three of the four rooks come into action at R3 or R4!

White: B. Gurgenidze (USSR). Black: E. Matsakanyan (USSR). Opening: Sicilian Defence.

The opening moves were 1 P-K4, P-QB4; 2 N-KB3, N-KB3; 3 P-K5, N-Q4; 4 N-QB3, P-K3; 5 N-K4.

Already a surprise for Black —usual is 5 NxN, PxN; 6 P-Q4, N-B3; 7 PxP, BxP; 8 QxP, Q-N3 with unclear complications.

5 . . . N-QB3; 6 P-B4, N-N3; 7 P-QN4!

This gambit is known in similar positions, but is new here. If 7 . . . PxP; 8P-B5 and Black's game is permanently cramped.

7 . . . NxNP; 8 B-N2, B-K2; 9 P-KR4, P-KR3 (to stop KN-N5 followed by Q-R5); 10 P-QR4, P-QR4; 11 R-QR3!

The natural P-Q4 would give Black some much-needed freedom, so White keeps the position blocked.

11 . . . Q-B2; 12 R-R3!

White's last two unconventional moves were well judged: if Black tries to run with his king to the queen's side by 12 . . . K-Q1, White has 13 R-KN3, P-N3; 14 N-Q6.

12 . . . Q-B3; 13 Q-N1, NxRP; 14 B-R1, N-N3; 15 B-K2, P-R5; 16 K-B1, R-R4; 17 R-KN3.

Black is two pawns up, one of them a supported outside passed pawn. Apart from his funny rook moves, White has been shifting pieces on the back rank—but White has a won game.

17 . . . K-B1.

White's concealed target was the black king: if 17 . . . P-N3; 18 RxNP, PxR; 19 N-Q6 ch, BxN; 20 QxP ch, K-Q1; 21 PxB and 22 B-B6 ch wins.

18 N-Q6, R-R1 (if BxN; 19 PxB, P-B3; 20 Q-N6, R-KN1; 21 BxP, QxP; 22 N-K5); 19 NxBP! R-KN1 (if KxN; 20 Q-N6 ch) and Black resigned. White wins by 20 Q-N6 and 21 NxRP.

White: B. Gurgenidze (USSR). Black: R. Bellin (England). Opening: Petroff Defence.

The opening moves were 1 P-K4, P-K4; 2 N-KB3, N-KB3; 3 P-Q4, NxP; 4 B-Q3, P-Q4; 5 NxP, N-Q2; 6 NxP?! Q-K2.

Simpler is 6 . . . KxN; 7 Q-R5 ch, K-K3; 8 Q-N4 ch with perpetual check.

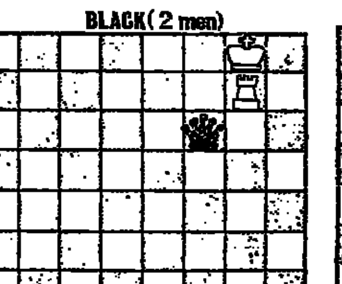
7 Q-K2! (refutes Black's last move), KxN (QxN; 8 P-KB3); 8 Q-R5 ch, K-B3 (the difference is that if 8 . . . K-K3; 9 BxN, PxB; 10 P-Q5 ch. Black can no longer retreat to K2 and has to allow 10 . . . K-Q3; 11 B-B4 ch, N-K4; 12 N-B3 when White's attack is winning); 9 0-0, Q-B2; 10 Q-R4 ch, P-N4; 11 BxP ch! NxB; 12 P-B4, K-K3; 13 PxN, Q-N2; 14 N-B3, N-N3; 15 R-B6 ch, K-Q2; 16 QR-KB1, K-K1; 17 R-B7.

Total success for White's novelty 7 Q-K2: Black's extra bishop is useless and his king is trapped in the centre.

17 . . . QxR; 18 RxQ, KxR; 19 P-N6 ch, K-K3; 20 Q-K1 ch, Resigns. If 20 . . . K-Q2; 21 Q-K5, R-KN1; 22 PxP.

POSITION No. 225

BLACK (2 men)

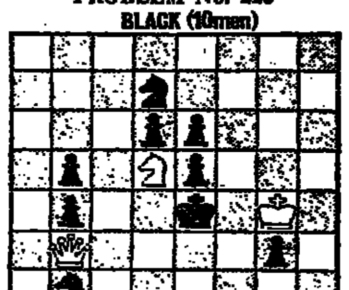


WHITE (2 men)

White to move; what should be the result, and how should play continue?

PROBLEM No. 225

BLACK (10 men)



WHITE (5 men)

White mates in two moves, against any defence (by W. A. Shinkman, Chess World 1902).

Solutions Page 12

BRIDGE

E. P. C. COTTER

THE FINESSE is on some occasions a very present help in trouble, on other occasions it is the way that leadeth to destruction. The good player is the one who can distinguish between the true and the false. In my first hand, which occurred in an average rubber, the declarer showed little understanding of the position:

N.
♠ 10 8 3 2
♡ 10 5
♢ K 10 9 3
♣ K 7 4

W.
♠ 4
♡ K Q J 9 7 6
♢ J 8 6
♣ Q 10 8

E.
♠ J 6 5
♡ A 2
♢ Q 7 5 4
♣ 9 5 3 2

S.
♠ A K Q 9 7
♡ 8 4 3
♢ A 2
♣ A J 6

At game to North-South, West opened the bidding with two hearts—the weak two, based on a six-card suit with a point count of 6-10. After two passes South reopened with three spades, and North raised to four spades.

West led the heart King, East overtook with his Ace and led back the two. Winning with the Knave, West returned the nine, and South paused for a brief moment. He decided to ruff with dummy's eight of spades, for this, so he thought, would give him two chances: (1) East might not have the Knave of trumps; (2) If East was able to overruff, there was the Knave of clubs finesse to fall back on.

East was able to overruff, and at the fourth trick led the club two. South did not try the finesse at once, but won with dummy's King, drew trumps, cashed Ace and King of diamonds, and then finessed the club, losing to West's Queen.

South's double chance had resulted in defeat, but there was a winning line which he simply did not see. On the nine of hearts he should discard dummy's four of clubs. East, of course, need not ruff this, but no continuation can prevent South from drawing trumps and ruffing his losing club on the table. A clear-cut case for "swapping losers."

After this elementary example, let us study a hand, again from a rubber, which was played with great understanding:

N.
♠ Q 7 6 3
♡ 6 5
♢ A 10 9 7 4
♣ K 6

W.
♠ A 9 4 2
♡ 9 7 2
♢ 5
♣ J 10 9 8 3

E.
♠ K 8 5
♡ K J 8 3
♢ J 8 3 2
♣ Q 4

S.
♠ J 10
♡ A Q 10 4
♢ K Q 6
♣ A 7 5 2

South dealt at game all and bid one no trump, North bid a Stayman two clubs, and after South's response of two hearts went three no trumps.

When West led the club Knave, dummy ducked, East played the Queen, and South won at once—it might be vital to keep the King for an entry later. Besides, the heart finesse had to be taken into West's hand.

The declarer had his plan formed. He would run five diamond tricks and then finesse the ten of hearts. If this lost to the Knave, he would have the club King on the table as entry for another heart finesse. He cashed the diamond King, followed with the Queen, and West showed out.

A change of plan was needed to overcome the cruel distribution, for now, with only four diamond tricks, he had to find both heart honours with East, and there were not enough entries on the table.

Suddenly he saw the solution. He overtook the diamond Queen with dummy's Ace, lead a heart, and finessed the ten. Success! Then he led a low diamond, giving the lead to East. A club was returned to the King, the diamonds were cashed, and another heart enabled South to finesse the Queen for his contract.

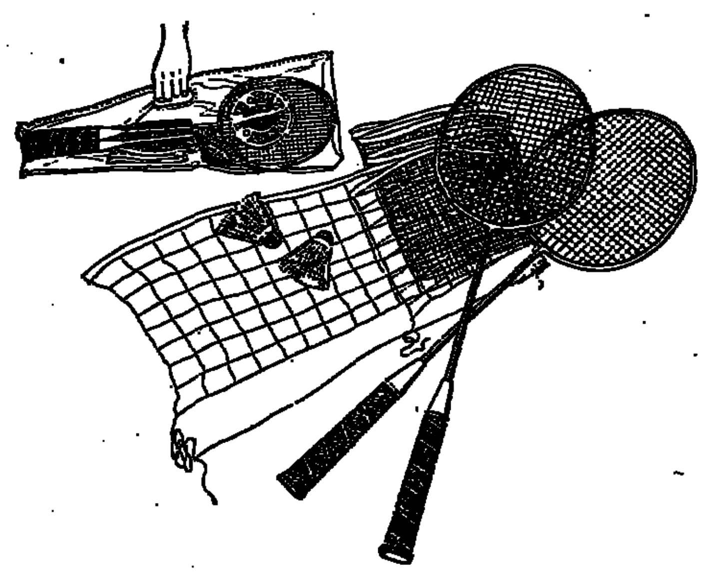
The handling of the diamond suit was a delight.

HOW TO SPEND IT

by Lucia van der Post

SCHOOL holidays are here again and whatever the age of your children they will need some help from you if they are to use and enjoy the time to the full. There is no end to the number of enterprising things laid on by almost all local authorities—the problem really lies in sorting them out. The length and breadth of Britain there are castles to visit, museums to wander round, learning projects to join in, tours to go on.

However, no matter how energetic the parents, no matter how gregarious the children, there comes a time when they have to find some amusements at home either with a group of friends or on their own—and this is where this page, this week, offers some suggestions. The outlay can vary from under a pound for a really worthwhile book, to several pounds for a sturdy game, so this summer there should be no excuse for that perennial cry . . . "I've got nothing to do . . ."



What a racket!

WOOLWORTH Stores are a marvellous source of inexpensive toys. They have always had a particularly good fishing department—their buyer seems extremely knowledgeable and though my son has not turned into much of a fisherman his first set was bought from there and it was very good value for money. As he quickly decided that it was an extremely boring pastime — the only moments he found remotely exciting were those concerned with potfuls of worms—it was a relief not to have spent too much money on over-sophisticated equipment. Similarly this badminton set is good for a holiday—it obviously won't do for the very good player but for those wanting an inexpensive, light set for packing on holiday, it seems incredible value. There are two steel-framed rackets, two plastic shuttlecocks and a 10 ft practice net. It costs £2.49 from all branches of Woolworth stores.

Cheapskate

CHAIN stores do come up with some remarkable bargains and I think the Littlewoods skateboard equipment takes a lot of beating. Though I read that the skateboard craze is on the wane I see no sign of it abating in my area. For those who have children or grandchildren who have been too young until now or just haven't got started the Littlewoods equipment makes an inexpensive way to start.

They assure me that though the price is low, the quality isn't (I can't say I've applied the test of trying it out myself) —they have spent at least six months perfecting the boards and making quite sure they passed all possible safety and strength requirements.

The "Jet Skater" board is made of fibreglass at £11.99 (there's an even cheaper one made from Polypropylene at £7.99). Both the boards have seal bearing wheels which cognoscenti tell me are essential. Littlewoods are selling brightly-coloured safety equipment as well—the hard plastic helmet is £3.99, the adjustable knee pads, £4.99, while the elbow pads are £3.99. A "Skateboards Rule OK" cotton T-shirt, as worn by the child in our picture, costs between £1.50 to £1.75, depending on size.

Capture the castle

A VERY topical indoor game, useful to have on hand for those dreadful days when the rain pours down, is called the Siege of Leeds Castle, and it's based on—you've guessed it—Leeds Castle and a real historical event that took place there. Between two and four people play the game and it works rather like snakes and ladders in that you throw the dice and then move counters. The aim is to capture the flag of Leeds Castle. Each player has two pieces—a soldier, which is the attacking piece, and a counter, which is used to select the equipment and weapons he needs. The skill lies in the manipulation of the two pieces. There are all sorts of splendid hazards like being killed by boiling oil or thrown over the parapet — good, authentic mediaeval stuff.

I haven't played it myself but the glossy poster-like base on which the game is played is a very attractive colour reproduction of the castle, surrounded by mediaeval motifs. You can buy the game for £2.50 (by post for 35p extra) from The Shop, Leeds Castle, Maidstone, Kent. If you should happen to be visiting it this summer, it is open on Tuesdays, Wednesdays, Thursdays, Sundays and Bank Holiday Mondays from 1 pm to 5 pm: entrance to grounds 80p, to Castle £1, children half price.

Their own four walls

"PLAYING HOUSES" seems an essential part of childhood. But once children have finished "playing houses" they may want to play "shop" or act or pretend they're at school, so what they really need is something simple enough and flexible enough for them to be able to cast it in a number of roles.

Though elaborate, beautifully-made dolls' houses are often very beautiful and give great pleasure, their role is undoubtedly static—so finely finished and detailed are they, they could not conceivably be anything else but a finely-finished and detailed dolls' house. This playhouse is so simple and so basic that any child with any imagination at all can immediately pretend it is whatever he wants it to be.

It was designed and produced by a group of three mothers (two are teachers and one is an occupational therapist as well) and they hoped to find simple, sturdy designs which children could manage on their own and which could offer this kind of multiplicity of roles.

The playscreen is sturdy but light —made from a triple corrugated material which is usually used for heavy-duty industrial packing. It consists of four walls, each is 3 ft 9 in high, 2 ft 6 in wide and it has two windows, one with a flapdown ledge and green gingham curtains, a letter-box and a wooden door handle. The playscreen walls are hinged and all fold in upon each other so that when flat it is a very slim package, thus making it easy to store. There are enough props (like the window, flapdown ledge, etc.) to be useful and to give some illusion of reality but there are not enough of them to link the play screen with just one situation.

It can be used indoors or out, is painted bright blue, with a non-toxic finish, and is reinforced with a rigid PVC edging.

You can buy it at a price of £19.50 direct from toy/work/shop, 71, Sherriff Road, London NW6. Carriage is £2.00 extra or you can collect it yourself by prior arrangement (tel 01-435 5767).

Keep the children in their place

BRITAX have gone to great lengths to produce a device that helps keep children safe in cars but isn't too restrictive. It differs fairly basically from the systems already on the market —these are mostly moulded seat shells in which the child actually sits. The Britax system allows the child to sit on the normal rear seat of the car and the protection takes the form of a polystyrene "shield" which is held in place by an adult rear lap belt.

The polystyrene shield, besides acting as a restraint in the case of an accident, has a table unit incorporated into the design which allows the child to draw, do colouring, play with soft toys or generally keep busy. In other words, it's a cross between a seat-belt and a play table.

In case of an accident the unit is designed to compress and absorb some of the shock. Needless to say it has been thoroughly tested and passed all the requirements of the British Standards Institution.

Britax see their "Playsafe" design as being ideal for children from about four years up to 10 years. From one to four years, they think a system which incorporates straps and a child seat, like their own Comfy Rider, would be more suitable.

Similar systems have been on sale for some time now on the Continent where they have been much applauded — the one in Germany was given the highest rating awarded to any child restraint system, while in France a consumer magazine rated it the best buy in its class.

The "Playsafe" is sold with everything needed to instal it, including a set of special Britax colouring crayons and a play book featuring the adventures of Wally and the Yellow Baron. This not only offers pictures to colour in but suggests games to play in the car.

The "Playsafe" is going into all branches of Halfords, Boots and Woolworth around the middle of August and I see it as just the thing to help make all those endless journeys that summer holidays involve a little safer and perhaps a little less tiring for children and parents. By the end of August the system should be very widely available. Suggested retail price is £18.95 but it is expected that keen discounting will mean you could find it in some shops for as little as £13-£14.

Thank heaven . . . for little girls

THIS CHARMING drawing is taken from an unusual brochure which has been produced in the form of a wall chart. It is designed by Susan Barker, whose Children's Collection it features, and it enables even those who do not live near her shop in Olney, Buckinghamshire, to buy her designs.

Everything Susan Barker does is hand-made. Her clothes for children, based on traditional dresses and smocks, are frequently trimmed with lace, which in turn is hand-made. Olney used to be a famous lace-making centre and Susan Barker is again using local skills in reviving, in a very small way, the art of hand-made lace.

In the drawing you can see a little of the sort of clothes she offers — on the left is a cotton print dress with a plain pinafore trimmed with crochet (£18.00, p+p 50p). On the right is a cotton print dress with full sleeves and yoke (£12.80, p+p 50p). The baby (or large doll?) held by the little girl on the right is wearing a christening dress and bonnet of the sort Susan Barker makes to order from cotton voile and which is trimmed with hand-made lace or crochet work.

In the baby's hand is a small hand-turned wooden rattle (£2.40, p+p 20p) while the little girl on the left is holding a lamb glove puppet (£2.70, p+p 20p).

The range in front shows more of Susan Barker's toys. On the left is a finely-dressed mother cat and her two kittens —the group is £9.00 (p+p 30p). Then come two finely dressed dolls—a lady doll and a baker doll. They cost £25.00 each (p+p 50p). If the price seems high, remember that she uses hand-made lace, embroidered underwear, soft leather for the boots: the dolls are so carefully finished down to the smallest detail, that they are really more collectors' items than toys.

Susan Barker does many other very charming toys—adorable rabbits, a traditional rag-doll, a turned wooden diabolo, and very unusual children's bootees with animal motifs (kittens, dogs, ducks or rabbits).

If you want to buy the clothes by mail Susan Barker really makes the clothes more or less to order so you can specify the style you want (by referring to the brochure-cum-wall-poster) and then discuss colours by post —she'll willingly send samples. She uses lots of Laura Ashley-type prints, and has several hand-smocked designs.

For a free wall-poster-cum-catalogue write to: Children's Collection, 2 Dartmouth Road, Olney, Bucks.

Quick and delicious

BY PHILIPPA DAVENPORT

HOLIDAYS are no time for experimenting with lengthy or elaborate recipes. It seems a shame to cut a day's excursion short for the sake of cooking and serving dinner at your usual punctilious hour: but if you stay out till sunset, dinner is liable to become a midnight feast and diners will probably have lost their appetites and good humour by the time food reaches the table.

Quick pan dishes and grills do not make for the cheapest of meals but they seem to me totally justified for these occasions. They usually work out considerably cheaper and better than the average restaurant meal, and there is something enormously pleasing about being able to produce within minutes of returning home the sort of inviting smells and sizzling sounds that will lure a tired but hungry family eagerly into the kitchen.

GRILLED CHICKEN WITH HERBS — serves 4

This is inexpensive by any standards and the juices are as delicious as the chicken. I serve it with lots of hot bread to mop up the juices. It could be accompanied instead with rice that has been boiled in good chicken stock, stirring in the grilling juices just before serving for extra flavour. I use Marks and Spencer's chicken thighs: they come in packs of five pieces; each pack weighs about 1¼ lb.

2½ lb chicken thighs, 5 tablespoons olive oil, 2 tablespoons lemon juice, 2 teaspoons each thyme and marjoram, salt and pepper

Make a marinade by mixing together the oil, lemon, herbs, salt and pepper. Prick the chicken all over with a fork, turn it in the marinade, cover and leave in a cool place—preferably for several hours. Lay the chicken on a grid, place it over a gratin dish and pour on the marinade.

Grill under medium-high heat, skin side down, for 9-10 minutes. Turn skin side up and grill for a further 9-10 minutes, using fierce heat for the last 5 minutes so that the skin is crisp and brown while the flesh is juicily tender.

PIQUANT STEAKS — serves 4

These steaks, like the chicken in the recipe above, are best if marinated for several hours so that flavours are thoroughly absorbed. New potatoes and a green salad make admirable accompaniments.

4 tournedos or other good steaks weighing about 6 oz each. For the marinade: 2 tablespoons olive oil, 1 large garlic clove, ½ teaspoon oregano, black pepper. For the paste: 2 teaspoons French mustard, 1 teaspoon lemon juice, 4 tablespoons chopped parsley, 4 teaspoons chopped chives, 6 anchovy fillets

Crush the garlic, mix it with a good grinding of pepper and the other marinade ingredients. Coat the steaks all over with this mixture, cover and set aside.

To make the paste, pound the anchovies in a mortar, add the remaining ingredients and pound again until well mixed.

Place the steaks on a grid over a gratin dish containing the marinade. Grill under fierce heat for 1 minute on each side to seal the surface. Remove the grid, lay the steaks in the dish and spread them with half the paste. Turn down the heat to medium and grill for a further 2-4 minutes, depending on whether you like steak rare, medium or well done. Turn the steaks, spread on the remaining paste and grill again for a further 2-4 minutes.

LEMON PORK — serves 4

The pork must be lean and tender for this aromatic and comforting dish. If you can't buy fillet, use boneless and fatless loin of pork.

1¼-1½ lb pork fillet, 6 oz piece streaky bacon, 2½ oz butter, 1 tablespoon olive oil, 2 garlic cloves, 1 large lemon, salt, pepper, 1 teaspoon coriander seeds

Cut the meat into cubes. Heat the olive oil in a saute pan. When smoking, add the pork and cook over brisk heat until browned all over. Reduce heat, stir in the diced bacon and crushed garlic; add the butter cut into slivers and stir until melted. Cover and cook very gently for 5 minutes or so until the pork is cooked right through.

Uncover, add the lemon juice, lightly crushed coriander, a good grinding of pepper and a little salt. Increase heat and cook, stirring, for 2-3 minutes so the sauce bubbles up and reduces to a syrupy consistency.

ESCALOPES DE VEAU CAUCHOISE — serves 2

One of my favourite recipes from Elizabeth David's French Provincial Cooking (Penguin). As she rightly points out, however tempted one may be to cook the whole apple just for the sake of using it up, it would be a pity to do so. It is just that little hint of sweet taste and contrasting texture that gives the dish its originality.

2 escalopes not beaten out too flat, half a sweet apple, peeled and cut into cubes, 1½ oz butter, ¼ pt thick cream, 2 tablespoons Calvados, salt, pepper, lemon juice

Season the meat generously with salt, pepper and lemon juice. Add it to the foaming butter in a thick frying pan. Let it take colour rapidly on each side. Add the apple cubes. Heat the Calvados in a little pan and set light to it. Pour it, flaming, over the meat, at the same time turning up the heat under the pan. Rotate the pan until the flames die down. Add the cream and lower the heat.

Cook gently for two minutes or so, stirring the sauce and scraping up the juices all the time. As soon as the cream has thickened, transfer the meat to a serving dish, arrange the apple on top of each escalope and pour the sauce all round.

LAMB WITH MOZZARELLA AND TOMATOES — serves 4

Noisettes are best for this dish I think but lamb cutlets or chump chops can also be used, in which case trim off most of the fat before cooking.

8 noisettes of lamb, 8 tablespoons grated Parmesan cheese, 1 lb tomatoes, ½ lb Mozzarella cheese, fresh basil, salt and a little olive oil.

Brush the meat lightly with olive oil, lay in a single layer on a grid placed over a gratin dish and grill under fierce heat for 1-1½ minutes on each side to seal and brown the meat. Reduce heat to medium or move the dish a few inches away from the heat.

Grill the meat for a further three minutes on one side then turn it over. Sprinkle on most of the Parmesan, cover with the skinned, seeded and chopped tomatoes mixed with five or six tablespoons chopped basil and a little salt. Arrange very thin slices of Mozzarella on top and sprinkle on the remaining Parmesan. Grill for about five minutes until the cheeses are melted and gently bubbling.

SALTIMBOCCA ALLA ROMANA — serves 4

For good and cheaper—albeit not classic—results you can replace the veal with pork fillet. However, whereas butchers will usually prepare scaloppine, you will have to slice and flatten pork fillet yourself and, although simple to do, this does take time.

12 scaloppine (each weighing about 1 oz), ¼ lb prosciutto crudo, 6 sage leaves, 2 oz butter, 6 tablespoons marsala, pepper, 1 tablespoon water

Season the veal with a good grinding of black pepper, lay a piece of ham on top of each slice and add half a sage leaf finely chopped. Make each one into a little roll and secure with a wooden toothpick (Boots sell them cheaply), or a cocktail stick.

Melt the butter in a saute pan. When foaming add the meat rolls and cook over medium-high heat until coloured all over. Pour on the marsala, let it bubble up for a minute or so. Reduce heat, cover the pan and simmer for 10-12 minutes until the meat is quite tender.

Transfer the veal to a serving dish. Add the water to the pan, scrape the base well and pour the juices over the meat. Serve with buttered noodles or triangles of fried bread.

Happy days on the Third Programme

RADIO
ANTHONY CURTIS

Radio has one obvious advantage over the theatre in that it can resuscitate its own greatest moments exactly as they occurred, and so easily, by threading a reel of tape around a few spools. Programmes which raid the archives are the norm, almost one is inclined ungratefully to say, the cliché of today's output. But on Wednesday we had something different, a whole evening on Radio 3 from 7.30 to 11.40 entirely culled (apart from the News) from the past.

The earliest item, *The Last Time I Met Henry James*, a hilarious recollection by Compton Mackenzie of the Master being interrupted in full spate by his housekeeper with a request to order some marmalade, dated from 1949 and the most recent, Terence Tiller's *Final Meeting* from 1966. It was thus the golden age of the fifties and early sixties, the era of the Third Programme, which shone again. Denys Geroult, the compiler, suggested an overall theme: each item he had chosen dealt with self-discovery. Fair enough, but tell me a programme that does not deal with self-discovery.

What the programmes had in common was not so much a kinship of theme as a fastidiousness in presentation and performance all too rare today. We began with Solomon's peerless playing of piano sonatas by Mozart and Schubert from a 1956 broadcast, and after that we heard one of the legendary Proust reconstructions by Pamela Hansford Johnson, *Saint-Loup (1955)* produced by Rayner Heppenstall. Whenever the possibilities of radio as a medium for the imaginative writer who does not happen to be a playwright are discussed these Proust programmes are quoted. They represent a peculiarly satisfying distillation of parody, scholarship and creative intuition that works on radio as it does on no other medium.

It is perhaps worth pointing out that historically the Hansford Johnson Proust reconstructions were preceded on the Third Programme in the late 1940s by a remarkable revival of W. S. Landor's form of the Imaginary Conversation in which Mr. Heppenstall persuaded people like Rose Macaulay, Michael Innes, Herbert Read and C. V. Wedgwood to write for the radio series. Sean O'Faolain composed a brilliant conversation between Newman and Kingsley (they never met in real life) on the train to Banbury. Mr. Heppenstall predicted in 1948 a great future on radio for this form. "That delightful variations may now and in the future be played upon it, will, I hope, he agreed . . ." which has not come to pass apart from some contributions by Maurice Cranston using the characters as mouthpieces for political philosophy. I feel the time to be ripe for a renaissance with K. Amis and others co-opted.

Probably experience gained in directing the Imaginary Conversation prepared the way for the Proust pieces which were much more complex and more fully dramatised in presentation. The *Saint Loup* probed the contradiction of the two sides of this character's sexual nature. It came across in all its delicate original subtlety on Wednesday. It was a stroke of genius to cast Robert Eddison — who had played St. Francis of Assisi in one of the Conversations — as St. Loup against the plummier tones of Anthony Jacobs as Proust and the crude pomposity provided by Reginald Beckwith as Bloch. The actress Rachel has a most enlightening conversation with Marcel in this script and she was in the safe bilingual hands of Cècile Chevreau. Surely after this broadcast there is a strong case for rebroadcasting the whole Proust series?

Proust once wrote a flattering letter to Cocteau saying how much he envied his knack of summing things up so captivatingly. For a while Stravinsky had the same admiration for Cocteau's gifts and asked him to write a text for an oratorio about Oedipus. He found the result disappointing but after some rewriting it sounded all right, he felt, when translated into Latin! The introduction to each section remained however in French. When it was first performed in 1927 Diaghilev engaged a young actor to recite this to the fury of Cocteau who wanted to speak it himself. They were in the midst of a quarrel at the time. Cocteau's turn however came at the Festival Hall in 1959 with Stravinsky conducting the BBC symphony orchestra and Helmut Melchert singing Oedipus. This was the broadcast we heard during the *archiv-fest* on Wednesday and it will be fascinating to compare it with the performance of the work at next Thursday's Prom conducted by Andrew Davis. Only there we shall not have the resonant French of Cocteau, reminding one that he first made his name as a reciter of his own poetry in public, but an English version of the narration spoken by John Westbrook.

Jean Cocteau in 1956

The oratorio was preceded by a talk *The Ladder and the Tree* which William Golding first gave in 1960. He described how as the son of a schoolmaster he overcame his fear of learning Latin thereby sensing his childhood was behind him—a Proustian moment in the English provinces. And the evening came to its dramatic climax with a performance of a fine play by Terence Tiller *Final Meeting* which I did not even know existed. This was pure radio. A man (Hugh Burden) in a waking dream encounters a number of other people all of whom turn out to be aspects of himself. It is a combination of Jung and grand guignol. All the voices were spoken by Mr. Burden, in dialogue with himself. The mind boggles at the thought of the editing that it must have needed. The terror was counter-pointed by Elizabeth Lutyens's music. I went with shattered nerves to bed. After Wednesday, whatever the future may hold for radio as a poetic medium I am convinced it can be proud of its past.

Dutch paintings on show

"Dutch Genre Painting," the National Gallery's second travelling exhibition, has returned to the National Gallery and will go on view in the Board Room from August 2 to September 17. Admission is free.

Th exhibition comprises 28 genre paintings by 17th century Dutch artists including the work of Dirck Hals (brother of Frans Hals), Gabriel Metsu, Jan Steen and the most famous of them all Pieter de Hoogh. "Genre" is a term that describes scenes of everyday life—a music party, a cobbler at work, a woman scraping parsnips and a man smoking a pipe—but many of the pictures also have hidden meanings. Roses and oysters are associated with love, a dog gluttony, smoke the transience of life, and a cat and mouse uncertainty.

These "hidden" meanings are described in the 40-page catalogue written by exhibition organiser, Christopher Brown, Assistant Keeper at the National Gallery. All the paintings are illustrated and the morals and warnings that the pictures contain are explained with the help of illustrations from emblem books and prints. It costs 85p at the gallery (£1.10 through the post from the publications department).

The exhibition which has been very well received, started its tour at the beginning of the year. It visited the Hatton Gallery, Newcastle-upon-Tyne from January 14 to February 26; Bolton Central Museum and Art Gallery from March 4 to April 15; the Usher Gallery, Lincoln, from April 22 to June 4 and it ended at Southampton Art Gallery from June 17 to July 23.

The National Gallery launched its first touring exhibition "Pictures from the 18th century Venice" which visited Bristol, Norwich and Wolverhampton late in 1976. The next touring exhibition "Italian Renaissance Portraits" will start out early in 1979 and is being organised by Keeper of the National Gallery, Allan Braham.

Around the World in Eighty Days at the Nottingham Playhouse

THEATRE
MICHAEL COVENEY

Five people are credited with this adaptation of Jules Verne at the Nottingham Playhouse: the director, Geoffrey Reeves; two translators from the French, Fred Lyster and Adolphe Phillipe; and two actors in the company, Nick Hughes and Roger Simcox. Between them they do not even produce a fine old mess. Just a dull shambles. The first requirement, in any version, I would have thought, is a sense of quickly shifting location, along with an excitement about travel. Of course, Phileas Fogg should be his calm and collected self, leaving the panic and derring-do let alone Hong Kong and Calcutta. There is a jolly elephant on a truck on which the travellers make off with the doomed Lady Aouda in the Indian jungle, but the business of her rescue from the pyre is a scrambled, unexciting affair.

Adrian Mitchell has provided some pleasant lyrics for Bill Scott's humdrum music, but few of them actually relate to the story. An opening chorus discusses the enigma of Phileas Fogg and promptly drops the subject. In Hong Kong, a young girl scrubbing the floor bemoans her lot as a victim of exploitation on the paddy field before giving Fogg a line of information about the boat to Yokohama and disappearing for ever. Worst of all, the prison at Liverpool features a George Formby-style gaoler singing, not very well, a rude song for no dramatic reason whatsoever.

The acting throughout is colourless and uninspired. As Fogg, Malcolm Mudie even contrives to bump into the scenery. The Lady Aouda treads on her sari while descending from the elephant and, having established herself somewhere on the South Seas as an aristocratic beauty, is unfortunate enough to sit on a chair that promptly collapses. The horrid lighting is clumsily operated, most of the singing is dreadful and as for the Japanese acrobatic troupe—most of them can hardly execute a forward roll without making you fear for their lives.

... to Passepartout. But even that feeling of urgency is completely lacking, as is the anxiety of the bloodhound Inspector Fix waiting for the warrant for Fogg's arrest to catch up with the party.

The stage is dominated by an odd skeletal structure which revolves efficiently enough to double as modes of transport and city backgrounds. But, beyond a few funny voices and rudimentary costume changes, there is really little difference between the Reform Club and Liverpool,

Malcolm Mudie as Phileas Fogg with Roger Simox and Veronica Leigh

Art shop plans talks

Dr. Roy Strong, director of the Victoria and Albert Museum, will be at the Arts Council shop, 28 Sackville Street, Piccadilly, London W1, at 12.30 on Tuesday, July 25 to talk about his new book *When did you last see your Father? The Victorian Painter and British History*.

The publication of this book coincides with the Arts Council exhibition *Great Victorian Pictures: their paths to fame* at the Royal Academy, Piccadilly (July 20—September 17).

Other guest speakers will include Patrick Moore, the BBC presenter of *The Sky at Night*, on August 3; David Bradby, who with John McCormick is author of *People's Theatre*, on August 10 and Alec Clifton-Taylor, author of *Six English Towns*, on August 18.

Patrick Moore's popular television series, *The Sky at Night*, has now been running for 20 years. His visit to the Arts Council shop will mark the publication of his sixth book based on the series, *Sky at Night—6*.

THEATRES THIS WEEK . . . AND NEXT

BUSH — In At The Death. Original, possibly tasteless revue scripted by six talented young writers. Good cast includes Victoria Wood, an outstanding comic and *chanteuse*. Reviewed Wednesday.

CHURCHILL, BROMLEY — The Prime Minister's Husband. Undemanding, enjoyable political romp set in the future with a lady Prime Minister and 5m unemployed. Reviewed Wednesday.

HAMPSTEAD THEATRE — Beyond a Joke. Derivative undergraduate revue with sketches, black outs and three personable young performers. Rowan Atkinson is in the tradition of Jonathan Miller and Rob Buckman. Opened Tuesday.

NOTTINGHAM PLAYHOUSE — Around the World in Eighty Days. New, quirky version of the famous Jules Verne novel with songs by Adrian Mitchell. Opened Thursday.

★

A full and varied week in the theatre sees a revival at Chichester on Tuesday of Noel Coward's 1959 revamping of Feydeau, *Look After Lulu* and, on Thursday, James Earl Jones bringing to Her Majesty's his famous performance of *Paul Robeson*. Also on Thursday, Janet Suzman is in *Boo Hoo* at the Open Space. Pete Atkin's Lament for the pop industry, *A & R*, opens at the RSC's Warehouse on Friday. Elsewhere, there is Goethe's *Faust* at the Questors' in Ealing, a new play in Oxford, *Time of Life*, and, on Wednesday, a piece about life in a women's mental hospital, *Tigers in the Snow*, at the Half Moon.

TV/Radio

† Indicates programmes in black and white

BBC 1

7.15 am Open University (Ultra High frequency only). 9.00 Ragtime. 9.15 The Flashing Blade. 9.35 Goober and the Ghost Chasers. 10.00 Rockface. †10.25 Fatty Arbuckle. 10.48 Weather. 10.50 Cricket. Benson and Hedges Cup Final: Derbyshire v Kent.
1.15 pm Grandstand: International Boxing (1.20); Racing from Ascot (1.50, 2.30, 3.10); International Dressage (2.05); Cricket (2.05, 2.45, 3.30) The Benson and Hedges Cup Final; The Royal International Horse Show (3.30). 5.05 Final Score.
5.20 Emu's Broadcasting Company
5.45 News; 5.55 Sport/Regional News
6.00 Wonder Woman
6.50 1978 Royal Tournament
7.35 Seaside Special
8.25 Kojak
9.15 News
9.25 The Royal International Horse Show
10.30 Sailor
11.00 The Expert
11.50 Weatherman

All Regions as BBC-1 except at the following times:—

Wales—8.30 a.m. Hobby Horse. 11.50 pm News and Weather for Wales.

Scotland—11.50 pm News and Weather for Scotland.

Northern Ireland—5.55 pm Northern Ireland News and Sport. 11.50 News and Weather for Northern Ireland.

BBC 2

7.40 am & 2.45 pm Open University
3.15 "His Majesty O'Keeffe" starring Burt Lancaster
4.45 Cricket. The Benson and Hedges Cup Final: Derbyshire v Kent
7.30 News
7.45 Network
8.15 Royal Heritage
9.15 Kings of the Castle
†10.00 Monster Double: "The Quatermass Experiment"
11.20 News on 2
11.25 Cricket. Derbyshire v Kent highlights
11.50 Monster Double Bill: "The Crazies"

LONDON

8.50 am The Saturday Banana. 8.55 Sesame Street. 9.45 The Saturday Banana (part 2). 10.15 The Monkees. 10.45 The Saturday Banana (part 3). 11.30 Space 1999.
12.30 pm World of Sport. 12.35 International Sports Special —1 The Tour de France: Mann's British Arm Wrestling Championships: Australian Pools check. 1.15 News from ITN. 1.20 The ITV Seven: 1.30, 2.00, 2.30 and 3.00 races at Ayr and 1.45, 2.15 and 2.45 races at Newcastle. 3.10 International Sports Special —2 Powerboat Racing from Bristol and The Hawaiian Masters Surfing Championship. 4.00 Wrestling from Bedworth. 4.55 Results Service.
5.05 News
5.15 Cartoon
5.30 Happy Days
6.00 Doctor on the Go
6.30 The Life and Times of Grizzly Adams
7.30 Mr. and Mrs.
8.00 "Murderer's Row" starring Dean Martin, Karl Malden and Ann-Margaret
10.00 News
10.15 The South Bank Show
11.15 Revolver
12.00 The Entertainers
12.30 am Close—Michael Burrell reads a poem by Gerard Manley Hopkins

ANGLIA

9.00 am Undersea World of Captain Nemo. 9.20 The Next Week Show. 11.30 Tarzan. 6.00 pm The Rolf Harris Show. 7.30 Gambit. ... creek. 12.00 The Midnight Movie: "Twilight People."

HTV

9.15 am Old House, New Home. 10.15 Batman. 11.30 Beachcombers. 12.00 Lassie. 5.30 The Cuckoo Waltz. 6.00 Happy Days. 7.30 Definition. 8.00 The Wrecking Crew.

HTV Cymru/Wales—As HTV General Service except: 5.30-6.00 Sion a Sian.

SCOTTISH

9.10 am Talking Bikes. 9.35 Cartoon. 11.40 The Bionic Woman. 5.50 pm Phyllis. 6.00 The Many Wives of Patrick. 8.00 The Wrecking Crew. 12.00 Late Call.

SOUTHERN

11.30 am Tarzan. 5.30 The Cisco Kid. 6.00 Mr. and Mrs. 6.30 Happy Days. 7.00 The Life and Times of Grizzly Adams. 12.00 Southern News. 12.05 am Weather Forecast followed by Yesterday's Tears.

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1 247m

(S) Stereophonic Broadcast
‡Medium Wave only

5.00 am As Radio 2. 8.06 Ed Stewart with Junior Choice (S). 10.00 Adrian Juste. 12.00 Paul Gambaccini. 1.31 pm Rock On (S). 2.30 Alan Freeman (S). 5.31 Robbie Vincent (S). 6.30 In Concert (S). 7.30-2.02 am As Radio 2.

VHF Radios 1 and 2: 5.00 am With Radio 2. 8.06 With Radio 1. 10.00 With Radio 2. 1.30 pm With Radio 1. 7.30-2.02 am With Radio 2.

RADIO 2 1,500m and VHF

5.00 am News Summary. 5.02 Tom Edwards with The Early Show (S) including 5.03 Racing Bulletin. 8.06 As Radio 1. 10.02 Tony Blackburn (S) including 11.02 Cricket—The Benson and Hedges Cup Final: Derbyshire v. Kent. 12.02 pm Cricket. 12.03 Two's Best (S). 1.02 Offbeat with Braden (S). 1.30-7.00 Sport on 2: Cup Final Cricket (1.30, 2.00, 2.40, 3.25, 5.50) Benson and Hedges Cup Final: Derbyshire v. Kent: plus news of the ...

RADIO 3

... Interesting (S). 11.45 News. 11.50-11.55 Tonight's Schubert Song.

Radio 3 VHF only: 6.00-8.00 am Open University.

RADIO 4

434m, 330m, 285m and VHF

6.30 am News. 6.32 Farming Today. 6.50 Yours Faithfully. 6.55 Weather. 7.00 News. 7.10 On Your Farm. 7.40 Today's Papers. 7.45 Yours Faithfully. 7.50 It's A Bargain. 7.55 Weather. 8.00 News. 8.10 Sport on 4. 8.45 Yesterday in Parliament. 9.00 News. 9.05 International Assignment. 9.30 The Week in Westminster. 9.55 News Stand. 10.15 Daily Service. 10.30 Pick of the Week. 11.20 Time for Verse. 11.30 Science Now. 12.00 News. 12.02 pm Away From It All. 12.27 The News Quiz (S). 12.55 Weather. 1.00 News. 1.15 Ensa. 2.00 War and Peace. 3.00 News. 3.05 Does He Take Sugar? 3.35 Music of the Masters: As Radio 3. 5.00 Kaleidoscope Encore. 5.30 Week Ending . . . (S). 5.55 Weather. 6.00 News. 6.15 Desert Island Discs. 6.50 Stop The Week with Robert Robinson 7.30 These You Have Loved (S). 8.30 Saturday-Night Theatre (S). 9.58 Weather. 10.00 News. 10.15 A Word in Edgeways. 11.00 Lighten Our Darkness. 11.15 News. 12.20-12.23 am Inshore Forecast.

BBC Radio London

206m and 94.9 VHF

5.00 am As Radio 2. 7.32 Good Fishing. 8.00 News. 8.15 The London Gardener. 8.30 David Kremer. 11.00 Benson and Hedges Cup Final. 11.30 The Robbie Vincent Saturday Show. 2.00 pm Bob Powel. 4.30 Marjorie Bilbow 5.00 Paul Owens and David Carter. 8.00—Close: As Radio 2.

CHESS SOLUTIONS

Solution to Position No. 225

1 R-R7 ch, K-N7; 2 R-N7 ch, K-R6 (if K-B7; 3 R-KB7); 3 R-R7 ch, K-N5; 4 R-N7 ch, K-R4; 5R-R7 ch, K-N4; 6 R-N7 ch, K-R3; 7 R-R7 ch, K-N3; 8 R-R6 ch! KxR; drawn by stalemate (a study by J. Berger).

Solution to Problem No. 225

1 Q-QR3, PxQ; 2 N-B3, or if KxN; 2 Q-R8, or if PxN; 2 Q-K3, or if P-N7; 2 Q-KB3, or if N-R5; 2 Q-Q3, or if N(Q2) moves; 2 N-B6.

WEEKEND CHOICE

Rosemary Leach, Just Between Ourselves: ITV.

SATURDAY: From year to year **The Royal Tournament** seems to go on with only one or two special events ever changing: BBC1 today (6.50) again shows massed bands, the field gun competition, criss-cross motorcycling, and the musical ride of the Royal Horse Artillery. No doubt there is a fresh audience of children each year for whom it is all new.

Paul Jennings looks at the Korchnoi/Karpov confrontation in **Kings Of The Castle** at 9.15 on BBC2, and at 10.15 ITV's **South Bank Show** shows the second half of "**Hullabaloo.**" The first part was excellent.

SUNDAY: BBC2s **World About Us** repeat (7.15) of the film showing orphaned chimpanzees being taught jungle craft by Stella Brewer, and BBC1's repeat of a fascinating **Omnibus** (10.35) about art market shenanigans, are both well worthwhile for anyone who missed the first showings.

However, the evening's most tempting offering is ITV's Ayckbourne play **Just Between Ourselves** (9.30). C. D.

ENTERTAINMENT GUIDE

PERSONAL

ARTS/COLLECTING

Street Theatre Festival

Natural Theatre

For the second year running, the area around the inner Alster in Hamburg was transformed last weekend by the arrival of over 30 street theatre troupes and countless puppeteers, jazz groups and mime ensembles. They came from all over. Even a bunch of Armenian folk dancers were somehow embroiled in a reception given by the Mayor in the Town Hall for an Italian cultural delegation who deposited a couple of manned gondolas on the Alster to weave in and out of the pleasure boats and wind-surfers.

The weather was, as usual, foul, but this proved no deterrent to huge crowds, estimated to total in excess of 650,000. 30,000 portions of hot pea soup were dispensed by the Hamburg Red Cross to give the occasion a sense of defiant enthusiasm in the face of unfavourable odds. The entire event was subsidised by the city to the tune of DM 150,000 and, as last year, prize money of DM 10,000 was donated by the Vereins-Und Westbank, to be distributed by an international jury on which I am privileged to serve.

It is indeed salutary, at a gathering such as this, to be reminded that there is more to street theatre than funny noses and juvenile romps. The standard of work displayed by the very best groups was, again, a complete eye-opener for anyone such as myself whose yearly round of theatre-going is confined to events in more conventional surroundings.

There was, for instance, the Free Theatre of Munich arriving at the main performance area in brutally disciplined procession on immense stilts, white-faced and intent upon some distant, unknown goal. Carving through the crowd, they then embark upon a savagely controlled tale of the dispensation of medieval absolution, inviting the audience to atone for last night's sins on the Reeperbahn by dropping a coin or two in the box. With percussion, loud-hailers and sheer devilish presence, they delighted an audience of well over 2,000 without once resorting to cliché or misplaced aggression.

The other outstanding group, one of last year's three prize-winners, was the Natural Theatre from Bath. Hardly known in London, this astonishing company uses the street in the fullest and funniest manner imaginable. There are various scenarios, but the most popular involved a

THEATRE

MICHAEL COVENEY

human string of seven harassed commuters in black suits, yellow accessories and orange make-up, bustling in step through the crowded precinct attached to their seven interlocking bright yellow suitcases. Without causing the slightest dismay or disapproval, they moved at breakneck speed through the whole city. I met various people who had followed them for hours on end, through shopping areas, on buses, around the water's edge and even on the underground railway. About 200 people descended with them at one point onto the U-Bahn. The group, waiting for a train, closed ranks and began snapping away for the family album. The words are precise and funny, each character fully delineated and adhered to. The fat grumpy one is asked if he is sure that he has everything. He opens the suitcase to reveal two yellow balloons and a yellow cracker. Yes, he *replies*, everything's here. The train arrives. They enter it, followed by about fifty grinning admirers while the rest of us wave them goodbye from the platform.

The Dutch were again strongly represented by the Dog Troep and a similar outfit, Idaho. Idaho again deal in strange processions, but their music, on bagpipes, percussion and saxophone, is more interesting. It has the complexity and obsession of good jazz, the driving beat of primitive rock. Procession and music come together as the band falls in behind a disquietingly peasant-like boy and girl and their beloved but dangerous black iron bird, whose belly is stuffed with bay and then ignited as the whole, extraordinary show moves on through the city.

Among the individual performers, I was particularly impressed by Farid Chopel, a zany French Algerian whose act, accompanied by "guest star" Carol Field, owes as much to Robert Wilson as it does to Jerry Lewis, Groucho Marx and Woody Allen.

The eight prize-winners were the Free Theatre of Munich, Idaho, Natural Theatre, Farid Chopel, Jümü (an ingenious street and trapeze clown from Bremen), Dagol from Berlin (frozen masks and fruit imagery), a lively Dieppe outfit called Atelier de l'Arch Ouest, and Wunderwurm, a much-improved trio from Hamburg itself.

Animation Rochelaise

When Claude Samuel, after a bitter and much-publicised quarrel with his festival committee, left Royan five years ago to set up a rival festival just 20 minutes' drive away in the nearby town of La Rochelle, it seemed a positive step. La Rochelle is the principal seaport of the Charente-Maritime, with an industrial suburb, a town centre of stone arcades and pretty squares, and an old harbour (these days somewhat overwhelmed by a crush of cars and fumes) guarded from the sea by two famous mediaeval towers.

It is a town of real character and charm; and it is also, unlike Royan, whose holiday playgrounds and villas lie empty for the greater part of the year, a town whose life is intimately bound year-long with the region and the locale. There had already been talk for some time of putting Royan on a wider base—expanding it to include events staged all over the region, a festival of the Charente rather than of just one small town.

It cannot have been merely revenge which prompted M. Samuel to choose La Rochelle: right at hand, with its own Music Academy and a progressive Mayor, was the centre for such an enterprise—an ideal venue for a compact, but neither isolated nor elitist festival, with the local authority to effect at least some kind of *animation régionale.*

Royan is now defunct; and its place has been taken by a new and more ambitious festival at Saintes roughly half way between the two towns (which absurdly, and it is assumed by no means accidentally, contrived this season to overlap the whole of La Rochelle's final week). La Rochelle still survives: but the familiar charges of *parachutage*, cultural titbits dropped gracefully into the provinces once a year from the capital table of the Parisian élite, were this year more evidently just. There was little sense of the *animation de la ville* so successfully proposed in 1973: no street *interventions* by local painters; no street-shows or street bands; no *pub irlandais*; above all, a noticeable lack of local participation and co-operation—of exchange and dialogue, of festive spirit in the air.

It was always in the intelligent management of festival "themes" that the old Royan excelled in its prime. At La Rochelle this year, music, dance and film from India provided a theme of a kind: but the handful of events which materialised, centred chiefly on one dance company and two musicians, accompanied by a pair of *conférences* and a Satyajit Ray retrospective, made a somewhat less-than-substantial focus. The greater part of the music programme, sensibly confined in the main to one long weekend, was devoted to a *carte blanche* (an idea also imported from Royan) granted to one artist to organise as he or she wished two complete festival days—on this occasion the composer Jean-Claude Eloy.

The music of this pupil of Milhaud and Boulez, born in 1938, is not widely known in this country—although London has heard a couple of orchestral works, and the big electronic tape-piece *Shanti*. As expected, Eloy included a number of his own compositions in his *carte blanche* programmes: in and among recitals of music by Bartok, Boulez, Takemitsu, Varese, Berg and Mahler, we heard his early *Equivalences* for chamber ensemble; the more recent and more indulgent *Kamakala* for orchestra; a new orchestral piece called *Fluctuante Immuable*; and as well as *Shanti* once more, the premiere of another large-scale electronic tape-piece, *Gaku-no-michi*.

I did not hear *Shanti* when it was transposed two years ago to London's Round House; but

LA ROCHELLE

DOMINIC GILL

I heard the premiere in 1974, given at midnight by candlelight in the lovely Romanesque abbey of Sablonceaux near Royan on superb equipment lent by Cologne. The magnificent setting apart (impossible in practice to separate from the event), I admired *Shanti* for its conviction, breadth of imagination, and sustained care of working. The music borrowed from, without ever plagiarising, Stockhausen's *Hymnen*; it was long, perhaps too long, but at its best it had real visionary quality. Eloy's new *Gaku-no-michi*, a two-hour tribute on tape to the sounds, music and thought of Japan, seemed by contrast a retrograde step: a sewing-together of a sequence of familiar gestures and techniques, well-prepared and well-executed, but without the close focus of *Shanti* and without its dramatic impulse and firm shape.

Fluctuante Immuable, written last year for the Orchestre de Paris, I also found a disappointment. Set side by side on the same day with *Equivalences*, one of Eloy's earliest and still one of his most impressive pieces, taut, delicate and beautifully balanced, *Fluctuante* was a monolith of nylon fur—broad Messiaenish flourishes set against a backcloth of multi-layered micro-counterpoint, a swirl of empty rhetoric, apocalyptic kitsch.

It made pale contrast, too, with the rest of the evening's programme, given by the Orchestre Philharmonique de Lorraine under Michel Tabachnik: the great adagio from Mahler's tenth symphony, a strong, incisive Varèse *Intégrales*, and Webern's wonderfully effective student essay *Im Sommerwind*, a pre-serial, pre-pointillist late-romantic bloom.

Other visitors from Paris were the Ensemble Intercontemporain from IRCAM, potentially a group of the highest calibre, though not yet in performance perfectly settled, and still without a permanent conductor. I heard them four days later in Paris much more at ease; but in La Rochelle they seemed discomfited, opening their concert with a curiously unformed account of the sextet version of *Schoenberg's Verklärte Nacht*—carelessly conceived, carelessly shaped, the subtle balance of parts very roughly pointed, the main lines laboured with heavily over-expressive rubato. At the heart of their programme, however, were two new commissions, both from young German composers—*Three melodies* by Hans-Jurgen Bose (b.1953), skilful settings of three English texts by Sidney, Drayton and Anon for tenor and chamber orchestra, many-layered, many-mirrored, suffused with passing tonal implications, sudden affectionate backward glances, beautifully sung by Keith Lewis; and *Two Pieces* for chamber orchestra by the still younger Detlev Muller-Siemens (b.1957), a pair of tiny essays for 15 instruments, each three and a half minutes long, deftly coloured, neatly and tightly drawn.

When Claude Samuel left Royan, he took with him not only a number of Royan's festival staff, and most of their regular groups and artists, but also their most prestigious event, the Olivier Messiaen Piano Competition. Since 1974, the scope of the competition has been enlarged to include other instruments, and it no longer bears Messiaen's name. But this year's Concours International for the flute attracted a very high standard of entry, and was indeed one of the festival's highest points: of four exceptionally talented finalists, the winner was declared to be the Hungarian István Matuz, whose remarkable gifts I have reported on a number of occasions from Budapest (and whose appearance at St. Bartholomew's festivale in London last week was reviewed enthusiastically by Nicholas Kenyon on this page). England may still benefit from French foresight: IRCAM have invited Matuz to work for a while in Paris this autumn, and with luck we shall hear him again in London soon.

Brief postcript. Connoisseurs of hotel notices may appreciate this one, culled from La Rochelle, alive with all manner of intriguing phiosophical implications: "Could you be king enough to shut the window—for the mosquitoes?"

E. O. Hoppé's Lady Lavery and Arab attendant (detail)

Picture Makers

Three small but fascinating exhibitions of photography from the earlier years of this century are now showing in galleries in London. At the Photographers' Gallery (until July 30) is perhaps the most intriguing of the bunch, if only for the circumstances that surround the making of the plates and the accident of their survival: they were the work of E. J. Bellocq, the grotesque Lautrec-like figure who moved freely through the brothels of Storyville in the Deep American South, in the full confidence and friendship of the whores themselves. But the work happily transcends such prurient expectations. E. J. Bellocq allowed the girls, his subjects, to present

PHOTOGRAPHY

WILLIAM PACKER

themselves to his camera in whatever fashion they chose—and so we see some quite naked, some déshabillé, some fully and surprisingly smartly dressed: and all of them seem to share, which is the curious and touching thing, an innocent self-confidence and pride in themselves that quite belies their sordid vocation. Though many of the plates are severely damaged, the images come down to us fresh, strong and even beautiful, a humane and charitable record of a close community a life-time ago.

To walk down the Charing Cross Road to the National Portrait Gallery, to see the work of E. O. Hoppé (until September 3), is not at all to move into another world, for all that his is the world of the great and glamorous. For Hoppé, too, presents the image of his subjects that they might have wished us to see, gaining their confidence and co-operation, relaxing and bringing them out rather than imposing his own firm view, and yet his work, like Bellocq's, remains entirely personal and identifiable. It happens to include many definitive portraits, the stock images that today are still familiar, rather more so perhaps than his actual name. The great beauties of the time pass before us, Lady Lavery with her Arab pageboy, Lady Diana Cooper, Fay Compton, and the Queen Mother when she was still Duchess of York. There are the artists too, Vita Sackville-West, Henry James, William Nicholson, Tamara Karsavina; and others more sinister, Aleister Crowley and Mussolini.

More fortunate than Bellocq, Hoppé made his living from his photography, and for twenty or thirty years was the doyen of photographic portraitists in this country. The centenary of his birth falls this year, and he deserves this memorial.

Baron Adolphe de Meyer also moved through the twin worlds of fashion and the arts, which he photographed with memorable singularity: for he was something more than merely a gifted amateur. No comprehensive survey of his work is on show at the moment (though a very good book is available from Thames and Hudson), but Gimpel Fils is showing (until September 5) a considerable curiosity, a sequence of thirty-three photographs recording Nijinsky's "L'Apres Midi d'un Faun" of 1912. Only four of de Meyer's original edition of the portfolio are known to exist: what we have here is a faithful modern reproduction by Richard Benson, published by Dance Books Ltd. at £395 in an edition of 250—the price goes up to £495 once the show is over.

Of decorative tiles

Two tile designs by J. Moyr Smith, who worked for Mintons, in the exhibition Victorian Tiles at the Wolverhampton Art Gallery until September 2. Left—Alfred having burned the cakes; right, the scene in Olivia's garden with Malvolio, from Twelfth Night in the Shakespeare series

DECORATIVE pictorial tiles were often used as a border inset for chairs and other late Victorian furniture, a fashion frowned upon by contemporary writers on interior design: "From one occasion spare me—the freak which lets a band of tile-work into walnut bedsteads and bureaus . . . Perhaps the idea of bringing together wood warranted not to last 20 years with careful usage, and tile which will last till the Ptolemies come again is not correct," mourned the *Pottery and Glass Trades Review*, September 1878. While a writer in *The Builder*, October 1973, had also deplored the free introduction of tiles in wooden furniture. "The materials do not harmonise at all."

That some of the wood has stood up to a century's wear and looks like going on quite a bit longer, is apparent by the pieces that are still around. You can see a small selection in the fascinating exhibition, *Victorian Tiles* at the Wolverhampton Art Gallery until September 2, notably an ebonised and gilt cabinet made by Gillow and Co. with Doulton plaques, a fire-screen inset with W. B. Simpson and Sons hand-painted ceramic panels, the Four Seasons, and a chair inset with a Romeo and Juliet tile from J. Moyr Smith's Shakespeare series for Mintons, all considered worthy of preservation in three of our most illustrious museums, the V and A, the William Morris Gallery and the Gladstone Pottery Museum.

The intriguing exhibition has been organised by the assistant director of applied art, Rosamund Allwood, who has produced an informative catalogue, £1.20 post free, with full acknowledgment to the standard reference work, Julian Barnard's excellent *Victorian Ceramic Tiles* published by Studio Vista in 1972. The exhibition, the first major display of Victorian decorative tiles to be held in this country, traces the development in both design and manufacturing technique from the Gothic encaustic tiles of the 1840s through to the printed and majolica tiles of the 1870s onwards.

"Since the days of Pugin, the use of enamelled Tiles for decorative purposes has greatly increased, and there are now few houses without some examples, either on the wall, grates or mantles, or inlaid in furniture or formed into jardinieres, but, perhaps for no purpose are they more generally or more usefully employed than for hearths, for which the body of the Tile is made of an extra strength; their cheerful appearance and the ease with which they are kept clean and bright, owing to their richly glazed surface, greatly recommending them for that purpose," stated a late Victorian catalogue of Minton's China Works, *Selected Patterns of Enamelled Tiles*, which went on to explain:

"In some patterns the colours are on the glaze, but in all cases

COLLECTING

JUNE FIELD

where the tiles are exposed to much wear, such as hearths, etc., enamelling colours are under the glaze, and, therefore, practically indestructible. It should be understood that these Enamelled Tiles are not intended, and indeed are unsuitable for flooring tiles, which this firm does not manufacture."

The tiles were all enamelled by a method known as Reynold's Process, which was adopted by Herbert Minton in 1848: "Mr. Reynolds, the patentee, who was awarded a medal of the First Class at the Paris Exhibition of 1853, and also at Vienna in 1873 has had the management of the process at these works since 1848 and although other manufacturers have lately adopted it, mostly in its simpler form, it is not too much to say that none have produced effects at all equal, for instance, to the Waverley and other series of monochrome pictures.

The Waverley series was of course a reference to the set of 12 transfer printed tiles illustrating Scott's novels, designed by Moyr Smith who worked for Mintons from about 1872 to 1889. Over 300 tiles are in the Wolverhampton exhibition, including examples by Christopher Dresser, Stacey Marks, William Wise and Walter Crane plus some magnificent tile panels by William De Morgan. A design for a fireplace in Lord Ashburton's yacht shows a ship panel in situ—in 1892 De Morgan began making tile panels for six P & O liners—all were sunk in the 1914-18 war.

A panel of 16 tiles, blue, green and pink on a cream ground, is very similar to designs by the architect and designer C. F. A. Voysey (1857-1941), whose tile designs were produced by Dunsmore Tile Company, Maw and Co. Jackfield, Minton Tiles, Pilkington's and Clifton Junction.

In the 1890's Voysey designed a stylised figure which appeared in his metalwork and wallpapers as well as tiles, to provide a related theme for interior decoration for nothing was too obscure for Voysey to consider. As well as furniture, carpets and textiles, he designed clocks, lamps, mirror frames, even a music rest for a grand piano. All these items, as well as plans and photographs of the houses they were intended for, are in an excellent definitive exhibition of Voysey's work which opened last week at Brighton Museum until September 3, before going on tour in Europe and returning to this country to be shown at Wolverhampton and Glasgow City art galleries. (Richly illustrated catalogue £4.95 plus 50p postage from Stella Beddoe, The Royal Pavilion Art Gallery and Museum, Brighton, Sussex).

No complete, fully furnished Voysey interior survives intact, although occasionally pieces turn up in sale rooms or in private hands, and this scholarly exhibition should certainly help identification and stimulate research.

TV RATINGS
w/e July 16

1. Thats Life (BBC)	13.55
2. Coronation Street (Wed.) (Gran.)	13.05
3. Life Begins at Forty (Yorks)	12.60
4. Incredible Hulk (ITV)	12.50
5. London Night Out (Thames)	12.45
6. Coronation Street (Mon.) (Gran.)	12.20
7. The Train Robbers (ITV)	11.90
8. Krypton Factor (Gran.)	11.55
9. Pink Medicine Show (LWT)	11.45
10. Don't Ask Me (Yorks)	11.25
11. Crossroads (Tues.) (ATV)	11.20
12. Crossroads (Wed.) (ATV)	11.15
13. Queen of a Distant Country (Anglia)	11.00
14. Your Only Young Twice (Yorks)	10.95
15. Crossroads (Thurs.) (ATV)	10.55
16. Crossroads (Fri.) (ATV)	10.65
17. News At Ten (Wed.) ITN	10.35
18. Leave It To Charlie (Gran.)	10.20
19. The Last Day (BBC)	9.60
19. Nine O'clock News (BBC) (Fri.)	9.80

Figures compiled by Audits of Great Britain for the Joint Industrial Committee for Television Advertising Research (JICTAR).

U.S. TOP TEN
NEILSEN RATINGS

1. Quincey — Medical Examiner (drama) NBC	27.2
2. Baseball (All-Star Game) ABC	26.1
3. Alice (drama) CBS	20.8
4. All In the Family (comedy) CBS	20.4
5. Happy Days (comedy) ABC	19.1
6. Switch (drama) CBS	19.1
7. Pre-Baseball Game ABC	18.7
8. Lew Grant (drama) CBS	18.6
9. One Day at a Time (comedy) CBS	18.8
10. Charlie's Angels (comedy) ABC	17.8

A Serial Story

BY THE middle of next week we should have reached the next stage of decision over the future form of broadcasting in Britain with the publication of the Government's White Paper on the subject. The paper will probably receive considerable coverage from newspapers and the present broadcasters alike, displaying an enthusiasm for the subject which Government itself has not noticeably reflected in recent months. Lord Annan's views on broadcasting have lingered so long on the Home Office shelves as to prove an eventual embarrassment, a fate he has shared with Sir Harold Wilson whose interim action committee on the film industry does not appear to have the ability to provoke instant response from our present rulers either.

Whatever the views expressed in the White Paper the mechanics of any changes in broadcasting are extensive enough to make such changes a distant prospect — distant enough perhaps to have a different government in power with different policies and, if past experience is any guide, a similar lack of enthusiasm.

The main television recommendation of the White Paper will concern the fourth channel, suggesting, it seems, that a new organisation be set up to operate it. The Conservatives have already declared they would give the channel to ITV.

The piquancy of this position is that the parties each find themselves in internal conflict.

BROADCASTING

ARTHUR SANDLES

There is little doubt that the average Labour voter would prefer a second ITV channel to an Open Broadcasting system which might tend towards an up-market BBC-2. Ideologically, however, Labour clearly must support a state sponsored system. Conservatives, on the other hand are committed to support free enterprise, and thus ITV, while a good slice of their own supporters might prefer a more educational/cultural oriented system which could be provided by an Open Broadcasting channel. At least the Welsh do not have to worry about this sort of thing. They look like getting their own Welsh language channel.

Most television sets in the UK are equipped to pick up a fourth 625-line channel these days, so that the investment required by the public in any such new system is minimal. A fourth channel would, however, require engineering changes in the transmitter system in the UK, changes which would be complicated if a third organisation is introduced alongside ITV and the BBC. If legislation were introduced now it might take two years to complete the transmitter system, and possibly more, depending on the extent of initial coverage required.

Equally difficult is the setting up and staffing of a fourth television channel. Programme planning takes time so that even after a basic organisation is established there then has to be a considerable run-in time before the station actually goes on the air. From contract award date to on-air might also take two years, and there are some who would say that you would get a pretty shaky start if you did it that quickly.

Thus, assuming a continuance of Government by the same party, any changes have to take into account the time required for legislation and the time needed for the engineering and organisational preparation. Four years is probably the minimum even if next week's White Paper receives a rapturous and universal welcome. In view of present attitudes towards public spending, such a rush would seem an unlikely prospect.

By the time the fourth channel does get on the air Britain will be in the thick of argument over what should happen to the other channels which will be available. The use of present 425-line VHF television frequencies by the public is diminishing rapidly and soon a decision will have to be made about the ending of transmissions on these frequencies and the possible re-engineering of them for further 625 allocation. With all the argument there has been over the fourth channel it does not appear that there will be any great joy at the prospect of further battling over channels five, six, seven and eight.

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Pay norms and make-believe

WHETHER or not one agrees with Mr. Callaghan that pay norms are to become a normal event, there was no politically feasible way in which he could have avoided a Phase Four announcement this summer. The Government has set such store by pay controls that to have abandoned them at this stage would have looked like a defeat. An abandonment would have been a shock to the financial markets and would also have meant throwing away one of the main planks on which the Prime Minister intends to go to the country. Successive opinion polls have shown that the idea is popular in principle, if not in particular application.

These considerations do not, of course, settle the vexed dispute on whether continuing pay policies do more harm than good. Nor is the argument likely to be settled by the election, whoever wins. The most one can say now is that if there has to be a pay norm, the lower the figure the better. For any announced figure will always become the bottom of a pile on top of which will come wage drift, productivity agreements, real or spurious, and all the myriad complexities of adjustments in prices, conditions and work schedules which affect labour costs. As a result of such forces the 10 per cent norm of Phase Three has become 13 or 14 per cent in practice and all the progress towards lower settlements achieved in Phase Two has been reversed.

Disadvantage

Thus within the context of his general approach, Mr. Healey was right to insist on a 5 per cent norm and not to allow an extra 2 per cent for rectifying anomalies and special cases. If he had done the latter 7 per cent would have become the general starting point. But this having been said, the new policy has the disadvantage of perpetuating all the rigidities and wage distortions of the previous phases, which have helped to divorce earnings from market pressures. As a result many employers report staff shortages of all kinds while the unemployment figures hover round 1½m. The unfortunate truth is that no one has discovered a way of controlling the average or total wage bill, while being flexible in individual cases.

Even within the context of the present policy there are major shortcomings. No link at all is drawn between pay and the movement of either the money supply or the exchange rate. The same monetary targets can hardly be appropriate to both a 10 per cent and 5 per cent norm. Suspicion will also be raised by the extravagantly propagandised claim in the White Paper about the increases in real incomes brought about by tax changes. These are all comparisons with what would otherwise have been. The Treasury glosses over the point that a progressive tax system will always take an increased share of personal incomes unless rates or starting points are changed.

The most objectionable feature remains, however, the use of discretionary government sanctions—"black lists"—in an attempt to impose a norm not sanctioned by Parliament. We are moving towards the point where Ministers are genuinely surprised to be told that their mere wish is not the law of the land. This theory of unfettered government would take another and sinister step forward if Ministers were to try to use their power over contracts and credits to impose dividend restraint even if a Bill for this purpose has been presented to Parliament.

Undesirable

Indeed the continuation of dividend control brings out an undesirable element of make-believe in the whole exercise. The Government already has ample power to prevent private shareholders from benefiting from wage restraints. Variations in corporation and investment income surcharge are quite sufficient for the purpose—although the point is academic, as the real return on capital has been in long term decline and is in some cases even negative. The main sufferers are the pension funds and other institutions investing savings.

The important point is that the industrial revival which the Government wishes to promote depends on the efficient functioning of the capital market. This in turn depends on there being a diversity of dividend experience rather than a single norm. Hobbling the successful has never been a policy for success. The extraordinary feature is that many Ministers have no real private belief in dividend control at all, but think it a necessary public relations exercise to secure the support of the unions for pay restraint. A policy so strongly dependent on make-believe can have no long-term future and, whoever wins the election, some drastic rethinking will be required.

THE GAMES OF '84

Row of Olympic dimensions

By MICHAEL THOMPSON-NOEL in London and DAVID SATTER in Moscow

BARON DE COUBERTIN, the founder of the modern Olympic movement, would have shuddered this week at the extraordinary exchange of international insults generated by the dispute between the International Olympic Committee and the city of Los Angeles, which may now abandon its plans to stage the 1984 Olympic Games because Lord Killanin, the IOC president, has rejected a scheme whereby the Los Angeles city council would in effect sub-contract the Games to private organisers in order to absolve California's taxpayers of all financial responsibility.

Indeed, the baron would have been thoroughly astonished—not only at the magnitude of the sums now casually referred to whenever the Olympics are discussed, but at the global phrase-book of insults, charges, counter-charges and political accusations now apparently consulted whenever the Games flounder back into trouble. The best example this week was provided by East Germany's official party daily, *Neues Deutschland*, which entered the fray by claiming that the entire cost of the Los Angeles Games would be only 0.75 per cent of the US military budget. "The funds now sought for research and construction of the neutron bomb would be enough for two Olympic Games for which everything would have to be built in the middle of a desert," said the newspaper unhelpfully.

The irony is that Moscow, the host for 1980, and Los Angeles, for 1984, were due to mark a return to Olympic sanity after the exploits two years ago of the builders of Montreal, whose edifice complex cost that delightful city the terrifying Olympic loss of $900m. Until its latest run-in with the IOC, Los Angeles was talking in terms of an overall expenditure on the 1984 Games of $183m to $200m. Indeed, there is virtually no reason for supposing that Los Angeles would not have made a substantial profit on the Games, certainly one greatly in excess of the $1m profit it made in 1932 when it staged an idyllic Olympics in the darkest year of the Depression.

At current prices, the London Olympics of 1948 cost an estimated £6m. Eight years later, Melbourne cost approximately £12m. It was in Rome that Olympic spending first got out of hand, the Italians spending at least £150m. Mexico, in 1968, spent even more lavishly. The West Germans in 1974 spent approximately £500m, though that did include a new subway line and new roads. And then Montreal, two years ago, ran up an extraordinary bill approaching $1.5bn because the city fathers simply could not contain a programme of capital spending that stretched to the bizarre lengths of a $1bn athletics stadium, a $55m Olympic village and a $70m velodrome, to name just three of the bottomless holes in the ground into which that city's taxpayers found themselves pouring money.

However, subtract from Montreal's $900m deficit the sums spent on capital construction (some of which is in regular use today) and you discover that Montreal actually made a profit on the 1976 Games estimated at $126m, thanks to revenues from coins, stamps, ticket sales, concessions and so on.

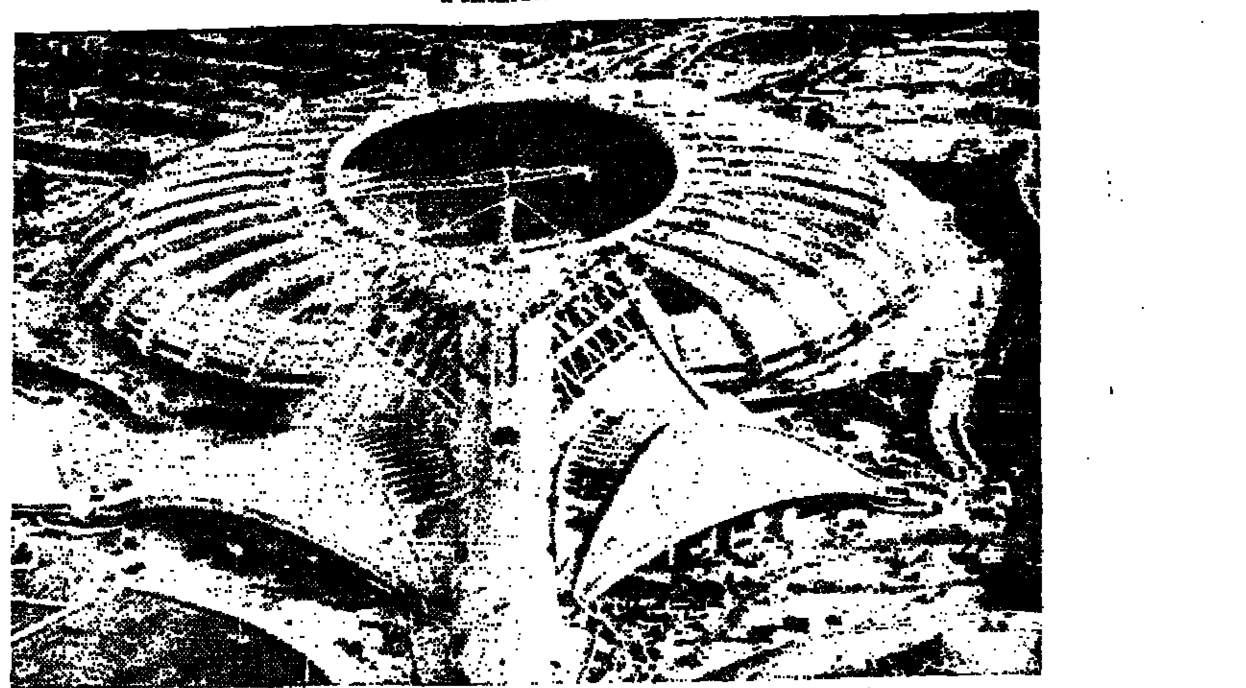
On the face of it, the Los Angeles figures are even more appealing. Conservative projections for ticket sales, licensing rights and concessions indicate an income put at $184,250,000. In addition, the President's Commission on Olympic Sports has estimated that the sale of stamps, coins and medallions could yield as much as $500m. Of course, Los Angeles already has plenty of stadia, a point that will hardly be missed by the investigators if the proposed £50,000 GLC feasibility study into the prospects of London staging the 1988 Games gets the go-ahead.

In the meantime, everyone seems to have forgotten 1980. In fact, Moscow is doing nicely. With the opening of the 1980 Olympics now a little more than 700 days away, Moscow is the scene of feverish activity at scores of construction sites as the city gets ready to play the unaccustomed role of host to the rest of the world. Buildings along the Sadovoe ring road are receiving a fresh coat of paint. Across from the Soviet exhibition of economic achievements, a giant kidney-shaped steel and glass hotel is nearing completion. And 18 skyscrapers to house the athletes and officials are rising in the Lenin Hills. Projects in hand include stadia and a rowing canal, an airport terminal and Olympic department store, as well as 40,000 hotel beds and 70,000 seats of extra restaurant capacity.

Mr. Vladislav Shevchenko, the Olympic Press spokesman, says that 95 per cent of Olympic construction at 80 different sites is on schedule.

Although the budgeted cost of the Moscow Games is not known precisely, the Soviets are nonetheless confident of reaping a hard currency windfall. The TV rights in the U.S. and Japan have already been sold. Coca-Cola has bought the rights to the Games' authorised soft drink and the Soviets are issuing sets of gold, silver and platinum Olympic coins with which they hope to make at least $150m. According to the organising committee, 600 Soviet enterprises have received commissions to manufacture almost 3,000 different souvenirs.

These days, Olympic business is big business. It is a pity it couldn't be more even-tempered.



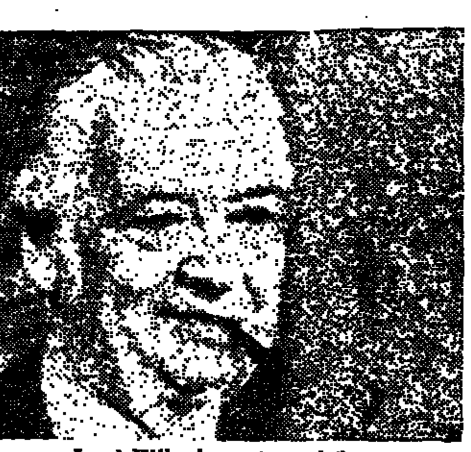
Montreal's main 1976 Olympic stadium going up; costs rose even higher.

Lord Killanin v. the Spartans of Los Angeles

BY MAURICE IRVINE IN LOS ANGELES

LOS ANGELES' Olympic organisers are to seek a face-to-face meeting soon in Europe with Lord Killanin, president of the International Olympic Committee, in a final effort to salvage the city's problem-laden efforts to stage a Spartan, cut-price 1984 summer Olympiad.

But given the bitter feelings being expressed here today about Lord Killanin and the IOC, such an encounter would seem likely to end once and for all the year-long attempt to bring the Games to southern California for the first time since 1932.



Lord Killanin: autocratic?

Almost everyone here has been upset by Lord Killanin's rejection, earlier this week, of a plan devised by Mayor Tom Bradley and his seven-man Olympic committee of local business leaders, whereby the IOC would sign a contract with private organisers and so absolve Californian taxpayers of financial responsibility for the Games.

Mayor Bradley responded by asking the city fathers to withdraw Los Angeles' bid. They replied on Wednesday that they would not: "Let them take the Games away from us," said Councillor John Ferraro, "let them explain it to the world." Various council members then proceeded to assail Lord Killanin as, among other things, "pompous," "intolerant" and "autocratic."

Mr. Tom Sullivan, the Mayor's Press secretary, deplored the "uncompromising language" of Lord Killanin's cable, and accused the IOC of "creating confusion" and "failing in common courtesy" towards the city.

Mr. John Argue, who heads Mayor Bradley's Olympic committee, spoke of frustrations in his attempts to meet directly with Lord Killanin and other top IOC executives who, he believed, feared that the Los Angeles plan would lead to "over-commercialisation" of the Games.

"Even when we flew to Montreal in June for discussions, we met only IOC representatives. Neither Lord Killanin nor any of the nine-member executive committee attended." After trying for 12 days to reach Lord Killanin by telephone, he complains, he received a cable asking him not to call but to contact IOC staff members.

Under Los Angeles' complicated plan, the city would invite private enterprise and the U.S. Government to contribute funds towards holding the Olympics here. As a condition of bidding on television rights, each network would be required to put up a $50m guarantee which Los Angeles could draw upon if expenses exceeded revenues.

But Lord Killanin said the proposals failed to comply with the IOC's Rule 4, which states that the host city must accept "full financial responsibility" for the Games.

Most of California's business community want the games here, arguing that in the long term both city and state will show a profit. But most politicians—with the Jarvis-Gann taxpayers' revolt in mind—are wary. To at least eight of the 15-member City Council, at the last count, fiscal virtue matters more than visions of Olympic glory.

The city hopes to stage the Games for little more than $200m, one-fifth of the cost to Montreal of the 1976 Games.

Los Angeles' major expenses would be the building of a new swimming stadium and rowing course. For the rest, existing facilities would be used—the 85,000 seat Rose Bowl, the 95,000-seat Coliseum, the Sports Arena and the Forum. "We have dozens of sites needing only a little preparation," says a mayoral aide.

The cost of building an Olympic village, at around $130m, was to be avoided by housing the expected 13,000 athletes and officials in existing university and hotel dormitories.

Last September, when LA planners were preparing their bid, Mr. Bradley said that no more than $34m would be laid out for new and revamped facilities.

At whatever cost to athletes and spectators, they would be shuttled about between the far-flung venues in a fleet of some 4,000 city buses. And far-flung they are: some of the 10 or 12 existing stadia and marinas dotted about the 500 square miles of the Los Angeles basin are more than an hour's drive apart on congested freeways.

Arguing that the IOC's insistence that the city sign a contract abiding by all the committee's rules means that the Olympic body is reserving its right to demand certain new facilities, the Bradley team has refused to make firm commitments about housing and other construction.

But the business community has shown willingness to get matters moving.

This week, for instance, owners of Hollywood Park race-track offered to build, at their own expense, a multi-sports complex for Olympic use to include a 75,000-capacity stadium, with up to 100 new tennis courts, bicycle racing tracks and equestrian facilities.

And several major companies have expressed interst in building — but with city and federal help — a self-contained Olympic village in downtown Los Angeles. The cost would be somewhere between $10m and $30m and developers say it would be both profitable and a long-term boon to this housing-short city.

There is no doubt that the vast majority of southern Californians want the Games, or that they agree on the whole with Mayor Bradley's insistence on frugality.

Letters by the hundred in the State's four leading newspapers have echoed such feelings: "Are we really too poor to pick up the cheque after Moscow?" asked Mr. Robert Weil of Los Angeles.

The California press is almost unanimous too in its support for Mayor Bradley's "affordable Olympics." "What we are not prepared to do," editorialised the middle-of-the-road Los Angeles Times recently, "is spend frivolously on redundant or grandiose projects of the kind that in recent years have threatened to price the Olympics out of being."

If Los Angeles should finally lose what until now has been a one-horse race, a new field will quickly form.

New York has already expressed interest in the games, while Montreal officials said recently that they would join in any new bidding process—"but this time on our own terms." But those, presumably, would be similar to Los Angeles'—no taxpayer liability.

Letters to the Editor

Capital

From Mr. J. Bowden

Sir,—No wonder Mr. Hugh Armstrong reports a suspicious view of venture capitalists. (Nothing ventured, July 11.) The look at his "standard agreement" confirms that he is managing capital and not risking it.

What a pity it is that we have lost the wealthy individual who could say to his protégé with a good idea: "Here is £500, start your business, pay me back when you can and I will back you again with more, but this time on a commercial basis." That is backing and trusting people. The gratitude and personal trust between those two over quite a small sum completely transcends the antiseptic approach by so-called venture capitalists.

What an overhead in time, legal costs and money his "standard agreement" puts on an individual just at the time when, using his own personal funds, he is trying to perfect and market his product.

The manager of the high street bank understands the word trust by virtue of his previous knowledge of his customer and is by far the best bet for the small business. Armstrong talks of backing people and of their "pushing off" in the same sentence. There is enormous integrity among small business men in this country, and most will bend over backwards to justify backing. Large injections of money at any one time to take the opportunity of a lifetime, which must be taken during the lifetime of the opportunity, is not necessary very often.

Mr. Armstrong would serve jobs and industry better if he were to emulate and beat the High Street bank manager by helping small companies "a tranche at a time," get to know them, build up mutual trust and then he could scrap that "standard agreement."

J. H. Bowden.
Woodrow,
107, Plaistow Lane,
Bromley, Kent.

Secretaries

From the chairman,
British Legal Association.

Sir,—Mrs. E. Wittenberg (July 9) asks what is to be done about the growing problem of innumeracy (and, I suggest, illiteracy) among school-leavers. If the problem was encountered only in bakers' shops it would be bad enough, but Mrs. Wittenberg's examples are a mere fraction of the whole.

The problem, and the associated dangers, are especially great in the legal profession, both in the offices of solicitors and in court offices. The school leaver all too frenquently leaves school lacking the desire or the ability to think and any suggestion that meticulous attention to detail is required is met with a blank stare. Parents and teachers are as much to blame as the children themselves, but they are not the only culprits. We, the public whether employers or employed have allowed matters to slide for years—the years of "never had it so good." We have allowed ourselves to be persuaded that machines really can take over, instead of treating the machine as a mere aid to the better performance of work for which thought is always required. Some of us, of course, have struggled against this and still do. We have been called old fashioned and sometimes less pleasant words have been used.

Let us take two simple examples. The copying machine has (a) almost killed off the race of skilled copy typists and thus (b) led to a dearth of aspirant legal secretaries who have the necessary groundwork firmly implanted before seeking promotion. The dictaphone which we are told is such a time saver is, in fact, of limited value (usually out of the office in evenings and at weekends when solicitors strive to keep pace with the burden of over-work) and a secretary who can do first class shorthand will win hands down. Consider the occasion when, away from the office, you telephone your secretary and she reads the day's post to you. If she does fast, accurate shorthand you may dictate the replies on the telephone and urgent matters are advanced that day. With a machine and first class post, you might be lucky if the tape dictated by you reached the office before you returned in person.

With increasing unemployment it does not make sense to go on increasing the use of machines and allowing potentially useful clerks, etc., to become machine minders in factories or, just as likely, to become part of the swelling ranks of the unemployed. Let us restore teaching of the three R's and the capacity for responsible thought to all our children and we shall need fewer social workers as well!

S. P. Best.
29, Church Road,
Royal Tunbridge Wells, Kent.

Motorways

From Mr. A. Watkinson

Sir,—I was pleased to see Mr. Richard Holland's letter (July 14) advocating toll-free motorways. It would, however, be an excellent development if private capital could be used to build a really comprehensive network of motorways just as in the 19th century free enterprise built most of the world's railways.

Probably the way this could best be put into practice has been advocated by Milton Friedman in his book "Capitalism and Freedom," where he advocates that long distance motorways should be privately owned and operated and the enterprise running the motorway should receive the fuel taxes paid on account of travel on it.

If this was done it would open up tremendous possibilities and many deficit ridden railways which are at present a terrible liability to the unfortunate taxpayer could be sold off and converted into urgently needed profit-making roads.

A. I. Watkinson.
3, Otley Road,
Harrogate.

Cowboys

From Mr. E. Kermode

Sir,—Someone should tell the MP for Derby South (July 14, Page 36) that if be is bothered by "continually flashing" lights then he is committing a motorway nuisance. He has no business to be "continually" in the overtaking lane, even if (according to his speedometer) he is "doing 70."

This "holier than thou" attitude causes considerable irritation to other drivers who are prevented from overtaking by a car hogging the overtaking lane, often at under 70 mph (many speedometers over-read at this speed).

Action should be taken against motorists who do not return to the ordinary lane when it becomes apparent that they are not gaining appreciably on the vehicle in front and there is traffic behind them. Let the police stop the speed-hog; not some misguided busybody!

E. R. Kermode.
6, Sussex Gardens, W2.

Gambling

From Mr. M. Nottingham.

Sir,—Two cheers for the Royal Commission on gambling for seeming to confirm what I have been saying for years, that gambling is organised by people who invented the game, and patronised by people who often have not even been told the score. It also seems clear from the report that regular gambiers are, in reality, gambling for "kicks" and not for money.

Max Nottingham.
19, St. Faith's Street, Lincoln,
Lincolnshire.

Aircraft

From Mr. F. Croker

Sir,—Since past experience indicates that the final cost of aircraft projects has an unfortunate habit of exceeding the original estimate, itself astronomic, by a factor of at least four, is it not high time for the taxpayer, hitherto conned and fleeced with such monotonous regularity, to put his foot down firmly and crush the 146 project (July 12) now, before full-scale development can begin, if he is to avoid having to pick up a bill for £1,000m—about £20 per head of population—for yet another White Dumbo?

"The price the market can afford" for passenger aircraft depends on the price the passengers are prepared to pay for their tickets, the savage escalation of which, in recent years, has been due not only to higher fuel costs but also to the premature introduction of unnecessarily sophisticated and expensive airliners. Particularly in the feeder line business, where competition is often with relatively slow surface transport vehicles such as buses, and not only in Third World countries, the clamant requirement is now for a DC3—(Dakota) replacement—a cheap, robust, reliable aircraft capable of operating from small grass airfields, and featuring high passenger miles per gallon rather than miles per hour. The trend towards fuel economy will be emphasised as oil becomes scarcer and more costly, as it will do during the lifetime of any new aircraft.

Such aircraft could be piston engined and unpressurised. The proposed resumption of manufacture of the Alvis Leonides aero engine suggests a traditional solution based on three of these units, with a fixed undercarriage, no flaps, and a cruise speed of not more than 150 mph, carrying 30-40 passengers up to 500 miles. Some low-cost R & D would be justifiable to determine the best compromise for a wing shape providing high lift for take-off and climb, together with low drag for cruising. This, admittedly, would not provide work for more than a small fraction of the horde of technologists currently distending the payrolls of the aircraft industry, but the bulk of them could and should be gainfully redeployed.

Why not, therefore, build an all British aircraft, requiring no taxpayer's subsidy, and which will certainly be as profitable as it will be useful?

F. P. U. Croker.
Avon Lodge, Hillborough Cres.,
Southsea.

Income

From Mr. G. Turnbull

Sir,—The recent increase in the maximum holding of the 14th National Savings Certificates issue offers an investment opportunity which may not be widely recognised. It is the retired couple with some investment income and a state pension who can benefit most (the higher rate taxpayers will have already taken up their full quota). Take the case of Mr. and Mrs. "A" who are retired, with a pension of £1,450 p.a. and investment income of £3,300. On their total income of £4,750 they will have their age allowance of £2,075 whittled down to nearly the ordinary rate of £1,535. On their investment income they will have to pay a surcharge of £95.

Now, suppose they sell Government stock (yielding 12 per cent gross) to realise £6,000 and invest it in National Savings Certificates. Their investment income drops by £720 to £2,580 and they now pay only £8 surcharge; the total income becomes £4,030 and the age allowance is left nearly intact. Their saving is thus £87 on investment surcharge plus £180 on age allowance.

Mr. and Mrs. "A" should sell a sufficient number of Savings Certificates each year to realise 7¼ per cent. tax free; they will find that their total income is slightly improved because this 7¼ per cent will compare with the 6 per cent net which they previously received from their gilt edged stocks (top slice).

The numbers of certificates to be sold at each year end—per £1,000 is as follows. (They mature after four or six years.)—

1 sell	65 for	£69.50
2 sell	65 for	£73.77
3 sell	60 for	£73.50
4 sell	60 for	£80.40
5 sell	55 for	£78.65
6 sell	50 for	£77.50
	355	£453.32

This is 7¼ per cent per annum free of tax. The 645 certificates remaining have a value of £1,000.

Our retired couple should also have their full £1,000 in the retirement issue (£500 each) and could draw an annual income from that.

G. L. G. Turnbull.
25, Cedars Ave.,
Rickmansworth, Herts.

Food

From Mr. J. Pickering

Sir,—While our politicians squabble among themselves in their usual infantile manner about the 104.9 per cent rise in food prices between February 1974 and mid-June this year not one of them seems to have mentioned the plain fact that this rise has occurred during the period that the effects of the Common Agricultural Policy of the EEC have really begun to bite.

Prior to February 1974 we enjoyed some alleviation of this burden owing to special advantages given to us as new members of the EEC. Since that date we have felt, and paid for, the real burden of this impost. Now all we have to look forward to is the huge rise which will result from revaluation of the Green Pound.

J. P. Pickering.
Orchard Place,
Hexham, Northumberland.

THE POST OFFICE WHITE PAPER

BY JOHN LLOYD

Dousing Carter's fire and brimstone

THE POST OFFICE is at present the Government's favourite nationalised industry. Mr. Gerald Kaufman, the Industry Minister with responsibility for the public sector, turns to it from the gnawing concerns of British Aerospace, British Shipbuilders and British Steel with the relief of a harassed teacher attending to a diligent and tractable pupil. Over the past year, it has been doing almost everything right.

One year ago, it announced record profits of £291.3m, a figure £101m lower than it might have been because that sum had to be refunded to telephone subscribers by order of the Price Commission. Next week, it will announce profits of between £360m to £380m, and none of it will be refunded to anyone.

In January, the Post Office's two-year experiment in industrial democracy began, the first of its kind in the country, a trail blazer for other public (and, the Government hopes, private) companies. Both management and union sides, for the most part, are expressing tentative satisfaction.

In telecommunications, the development of System X, the new generation electronic exchange, is being hurried along. In posts, the unprofitable parcels service is covering its direct costs, and contributing some extra to overheads. Giro, with deposit and current account facilities, now looks little different from a high street bank.

For these and other reasons, few governments—and certainly not one coming to the end of the present parliamentary session and possibly the end of its present life — would feel tempted to do much more than pronounce a blessing, counsel continued righteousness, denounce future sin and retire into the background. To a large extent, that is what the Government, in its White Paper on the Post Office published yesterday, has done.

Yet that is not the spirit in which the Report of the Post Office Review Committee — to which the White Paper is a response — was first conceived almost three years ago. Nor is it the spirit — though the climate had changed by then— in which it was written and published a year and a day ago. More than most reports, this one has been overtaken by events on a number of levels, and very largely outflanked by government, Post Office and unions.

It may be recalled that, in 1975, the Post Office was nobody's favourite public corporation. After years of price restraint followed in that year by a government decision to phase out all payments to nationalised industries to compensate for holding prices down, the corporation raised its postal and telephone tariffs in two sharp bursts.

The effect was that the price of a first class letter went up from 4½p to 8½p, while second class postage increased from 3½p to 6½p and telephone tariffs rose from 1½p to 3p a unit. To cap it all, the Post Office declared a loss over the financial year ending in March 1975 of £306m.

The secondary effects were grumbling resentment among the public at large, and in the business community in particular. The latter quickly formed two pressure groups—the Telephone Users' Association and the Mail Users' Association — which immediately threw themselves into the task of savaging the ankles of the swaying corporation.

More magisterially, the Post Office Users' National Council—the stautory consumers' body—began to lobby for a committee of inquiry. The Council had not been consulted about the rises in charges, and was resentful. But its chairman, the late Lord Peddie, was shrewd enough and practised enough in the ways of Whitehall and the nationalised industries to realise, first, that the fuss would quickly die down and second, that the consumers' movement, then at full throttle, could have a significant influence over any report which might be produced.

He was correct. The chairman of the committee—Professor (now Sir) Charles Carter, vice-chancellor of Lancaster University—was an enthusiastic champion of the view that where a statutory monopoly exists, very stringent safeguards must be erected to prevent it from declining into routine indifference to its customers and acceptance of a progressively declining service. He was also an expert in, and a strong supporter of, a number of U.S. business methods.

Thus he and his committee were unusually responsive to the evidence from consumers' bodies like the Council, the MUA, the Consumers Association and others. Other organisations not concerned with consumers nevertheless argued strongly in favour of a greater respect for the customer. The most notable among them were the Post Office trade unions.

It was no surprise, therefore, that when the report was published, its main argument was that the Post Office should be much more firmly in the market place than it was. The report's most dramatic proposals were that first, the corporation should be split into autonomous postal and telecommunication businesses and secondly that an advisory council be appointed which would act as a buffer between corporation and Government, monitoring the first and advising the second. But these proposals were subordinated to the general view, succinctly expressed in a passage in the report, to the effect that "sometime its (the Post Office's) customers get the feeling that they are being graciously permitted to use the system."

The Carter Report was ecstatically hailed by the consumers' organisations. But it had a mixed reception from the unions (the Union of Post Office Workers was very much against the proposed divsion of the corporation while the Post Office Engineering Union was very much for the division). It also provoked something of a snarl of resentment from the Post Office. Although the corporation has since then done a great deal of efficient smoothing of ruffled feathers (it has a new, less touchy chairman), there is no doubt that at the time it felt hard done by.

It was pointed out, for example, that the report rejected profitability as a measure of efficiency, yet accepted a 6-per cent return on net assets as a reasonable target for the telecommunications business; that it criticised the corporation for over-centralisation and then proposed a council which would further centralise matters; that it commended the unions for service to the public and then implied that if their representatives got on the Board they would act against customers' interests.

There was much more in this vein, but what it amounted to was that the Post Office disliked being told how to put its own house in order. The question is: has it put its house in order, or has it merely deflected criticism?

In the first place, we must consider those two dramatic features in the Carter Report. The Post Office Board liked the proposed split but did not like (indeed, positively detested) the advisory council. Much of the venom directed against the report stemmed from that recommendation. The Government was of much the same mind. It had had roughly the same proposal made to it by a National Economic Development Office paper at the end of 1976 for all the nationalised industries: it saw these "policy councils" as simply a barrier to Ministers intervening in the running of the industries (they already think the barriers are formidable enough), and the White Paper on nationalised industries brusquely dismissed them. So the fact that Carter's proposed advisory council was similarly dismissed in yesterday's White Paper was disappointing to few, except perhaps to Sir Charles Carter himself.

> "The Carter Report found solutions to problems which the Post Office itself was also, naturally, examining. Not surprisingly, a number of the solutions were the same."

The Post Office did, however, want the split, and the White Paper has deferred it for at least 18 months until the present experiment in industrial democracy—which began in January—is ended. At yesterday's Press conference on the White Paper, Sir William Barlow, the Post Office chairman, said quietly that he was prepared to be patient about the deferment of the decision, although he indicated that he was still in favour of dividing the corporation's activities. Post Office gossip is that he is no longer as keen on it as he was, because he is having some success in running a unified corporation.

More intriguing will be the reaction of the unions. Mr. Tom Jackson, general secretary of the UPW, has made it known for some time that his influence in the Department of Industry and in the Cabinet has been such that a split was never on the cards. Mr. Brian Stanley, general secretary of the POEU, has other matters on his plate—and will resign from the National Executive of the Labour Party because of pressure—but may still feel moved to make an issue of the split.

We are down, then, to the nuts and bolts of the Carter Report and of the Government's and Post Office's response to it (which were published together yesterday). And it is on these nuts and bolts—the detailed suggestions on pricing, marketing, internal monitoring—that Sir Charles has had some effect, if only by retrospectively endorsing action already taken by the Post Office. The fact that this should be the case was inevitable. The Carter Committee was looking for solutions to problems which the Post Office was also, naturally, examining. Not surprisingly, a number of the solutions were the same.

In one respect, the Post Office has gone beyond Carter in its zeal to create lashes for its own back. It has accepted the target of reducing real unit costs in telecommunications by 5 per cent per annum over the next five years (though there may not be a money reduction because of the effects of inflation). This means that the Post Office has the restraints of cash limits, the restraint of requiring to show a 6 per cent return on net assets and the requirement to reduce real costs by 5 per cent—a formidable array of tasks.

The criticism made by Carter of the over-centralised management style of the corporation has also now lost its force, largely because Sir William Barlow (an outsider who believes in delegated responsibility) become chairman in place of Sir William Ryland (who joined the Post Office at 15 and had an awesome grasp of detail) as chairman. Management at all levels talk of their new-found responsibility—some more enthusiastically than others.

Where Carter recommended a policy council as a major instrument for achieving efficiency, the Post Office has already outflanked the idea by adopting some of the recommendations which are less painful to itself.

It is holding talks with the Government about setting performance indicators (possibly after the Bell system so much admired by Sir Charles). It has appointed a committee headed by three non-executive board members (two of whom are the consumer representatives) to monitor efficiency. A joint Post Office/Department of Industry working party is considering ways in which international comparisons may be established. The Secretary of State for Industry will soon be empowered to approve the annual long-term plans for the three Post Office businesses and to specify any additional measures which he thinks they ought to contain. The Users' Council is to be strengthened by allowing it to appoint its own, possibly non-civil service staff, and it will soon, by statute, have to be consulted about long-term plans.

How much of this is inspired by the Post Office, how much by Carter, is a matter for the large number of corporation-watchers to decide. The net result has been that the Post Office is now presenting a well-scrubbed public face, buoyed up on large profits over the past two financial years.

There are real problems ahead (and not so far off). Most immediately, the two major unions have shown that they are far from muzzled by industrial democracy. The UPW has thrown out Sir William's two pet ideas of restoring the Sunday service and introducing a 5½p Christmas post, and the POEU is surprisingly adamant about a 35-hour week. The delicate problems of System X, the advanced electronic exchange of the 1980s, are far from settled, although the problems here are more a matter for the manufacturing industry than for the Post Office.

But the Government, Post Office and unions have successfully reduced the fire and brimstone which was the Carter of 1975 into a few "moderate and sensible" proposals which any successful enterprise would be happy to accommodate. It will remain a fine example of corporate manouvrability.

Mr. Gerald Kaufman, Minister for Industry, Sir William Barlow, new chairman of the Post Office, and Mr. Tom Jackson, general secretary of the UPW.

Weekend Brief

Vaux pop

Has Vauxhall turned the corner? Judging by its results for the first half of this year, there is some cause for hope again at the small Luton-based company. Net profits were up to £4.3m, the best figure it has achieved, even in a full year, since 1968. And on every other index it has also shown an improvement: turnover, production, vehicle registrations and exports have all risen substantially.

Critics dismiss these signs of revival by suggesting that Vauxhall is simply too small to survive. On an output base of only about 200,000 cars and commercial vehicles a year, it is easy to show big percentage gains, they say: but it is not so simple to sustain them against the large world companies producing between 1m and 2m units a year.

What this argument ignores, however, is that General Motors, Vauxhall's parent, seems to have taken a much stronger grip on its subsidiary's drifting performance in the last four years, mainly by drafting in a 52-year-old American, Mr. Bob Price as chairman and managing director. Since his arrival, in Vauxhall's darkest hour at the beginning of January 1974, the company has quickly lost its sardonic Fleet Street accolade as the "cabbage patch"—the place where nothing happened.

Price is known in GM as a turnaround man. Before Vauxhall, he pulled GM's company in South Africa back into profits. To outsiders, his most appealing quality is his wit: he can keep a Press conference chuckling for half a day even on the most sobering of subjects, such as Vauxhall's past 10 years' figures. To insiders, however, he appears as the complete professional, equally at home with a balance sheet or in the styling studios, and generally quicker at the figures than any on his staff.

In his first year at Vauxhall, when it made its worst ever loss of £18m, Price trimmed back mercilessly. The labour force eventually went down by 7,000. But now expansion is beginning again, with the recruitment of 3,800 more men in the past 12 months, and a return to shift working.

Equally important for the future of the company, however, is that the model range seems at last to be coming right. Price would be the last to take complete credit for this, because it is all part of GM's Europeanisation programme under which Opel, the West German subsidiary, becomes the design centre for cars, and Vauxhall the base for trucks (through its Bedford subsidiary). But there is no doubt that he has had one of the key roles to play in this integration programme, which after further launches before the end of the year, will give Vauxhall one of the most complete car ranges of all European manufacturers.

With this range, Vauxhall will have the possibility of becoming a significant force in the British industry again; and that, given the continuing alarums at BL and Chrysler, provides one small crumb of comfort to a beleaguered industry.

Terry Kirk

Bob Price: turning over the cabbage patch?

Carefree daze

This may prove to be a miserable weekend for holidaymakers heading for foreign climes as the French air traffic control dispute begins to bite at flight schedules, but at least those going abroad do so knowing that these days there are pretty strict financial guarantees around their packages. Spare a thought therefore for the domestic holidaymaker who has no such protection.

This week has seen more than 1,000 families on the receiving end of letters from Carefree Cottages, a Cambridge-based self-catering rental organisation, telling them that there are financial problems and their holidays may be off. Little more than a year old, Carefree has ceased trading and has called a meeting of creditors for early next month. "It has been a bad season," says managing director Tony Truman. Bookings from abroad in post-Jubilee year have been badly down and Carefree found itself with payment guarantees to cottage owners which it had little prospect of meeting.

Customers caught up in this, most of whom have paid in full for their holidays, can only contact the owners of the properties direct and hope to work out some sort of deal. Some owners are being sympathetic, some are not.

Oddly enough many of those foreigners who have booked Carefree Cottages will probably get their holidays. Foreign travel agents, like those in Britain, tend to have a variety of protection schemes, and in this case the agents look like picking up the pieces for their clients. The domestic bookings tended to be direct with Carefree and thus no such protection exists.

Whenever the subject of cash protection is raised in the domestic holiday market it provokes an irritated response. "Tell us when the home travel industry had a collapse like Clarksons?" they say. Families hit by Carefree's problems may be less than pleased with such a view.

Rosy future

"The men from the International Monetary Fund" have almost the same place in popular mythology, or perhaps demonology, as the "Gnomes of Zurich"—especially so since the prolonged visit of a Fund team to London towards the end of 1976. Its determination to avoid publicity was taken to the extreme of booking in at an hotel under false names. Yet the officials and economists involved are far from faceless, and certainly not powerless. Moreover the arguments about top appointments to the Fund reveal some profound differences in thinking between countries, which is not unimportant when major currency proposals are being considered.

The story begins at the end of 1977 and the beginning of this year when the search was on for a successor to Dr. Johannes Witteveen, a Dutchman, as managing director. This post is traditionally taken by a European in an informal division of spoils which ensures that an American heads the World Bank.

The decision tends to emerge—rather like the leadership of the Tory Party in the old days—from informal discussions between the Finance Ministers of the major industrialised economies and their representatives among the 20 executive directors of the Fund. At an early stage, candidates from several European countries were considered. However, a British candidate (possibly from the Bank of England) was quickly ruled out since it was soon generally agreed that a new managing director should not emanate from a country which had been a major drawer on the Fund's resources; the UK has, of course, arranged two very large standby credits in the last decade.

The search then turned to various Continental candidates. However, in spite of some reservations from developing countries, support eventually swung behind M. Jacques de Larosiere, a senior French Treasury official, who will first be seen in full charge at the Fund's annual meeting in late September.

Yet the British interest does not quite end there. While a candidate from the UK was effectively ruled out because of this country's debtor status, an exception might have been made if that someone had been distinguished enough. Indeed the preference has always been for a senior politician rather than an official since he would be in a stronger position to maintain the Fund's independence.

Thus James Callaghan was a serious candidate for the post in the early 1970s when Labour was out of office. This time the view in Washington was that Denis Healey could have had the job for the asking, with no questions asked about his British origin.

But the opportunity came up too soon for Mr. Healey since he still has undisguised ambitions in the UK and talks of moving to the Foreign Office after the election and indeed taking over from Jim in time.

Of course, if Labour had lost an election and 10 Downing Street appeared unattainable, then it might have been a different story. As it is, a mid-October election would leave Mr. Healey with some exhausting jet-setting between Washington—where he will be chairman of the Fund's interim committee of finance ministers and in the UK, for campaigning. Just time, perhaps, to drop a few hints about a late autumn mini-budget?

Pounding away

At lunchtime yesterday a small chartered plane landed at Ronaldsway Airport on the Isle of Man with a top official from the Manx Treasury and relief supplies from a factory in Surrey. The relief was not food or medical supplies—but money. To be more specific, it was a further load of the £1 coins launched on the island only on Wednesday.

The coins, the first to circulate in the British Isles since the start of world war one in August, 1914, caused a great stir when they were released this week. Queues formed at the Treasury itself as well as at the banks and the whole allocation of 20,000 was snapped up within 45 minutes.

The Treasury's own allotment went in 17 minutes and the banks had sold theirs within another 30 minutes. Queues of disappointed and disgruntled purchasers refused to go home. "Chaos and confusion reigned," said one bank manager.

An SOS was immediately sent out to the manufacturer, Pobjoy Mint, of Surrey, and a first instalment of 4,000 extra coins was shipped over by sea late on Thursday. Then the Treasury official arrived with another 71,000 which will probably be distributed first thing on Monday morning.

Contributors:
Terry Dodsworth
Arthur Sandles
Peter Riddell
Tony Moreton

COMPANY NEWS + COMMENT

Lloyds Bank down 15% to £76.5m midway

FOR THE first six months of 1978, profits before tax of Lloyds Bank at £76.5m are little changed from the £76.13m achieved in the second half last year, but are down 15 per cent compared with the £90.1m recorded in the first half of 1977.

The first-half surplus includes £11.19m against £9.34m from associates. Basic earnings per £1 share are given as 21.6p (25.49p) and 20.31p (23.87p) fully diluted.

The net interim dividend is raised from 4.15p to 4.635p and as soon as dividend legislation is clarified, the directors will review the situation in the light of new circumstances. Last year's final was 4.938p.

Operating profit of £65.27m (£80.76m) is stated after depreciation of freehold buildings and leaseholds with more than 99 years unexpired. Previously these properties were not depreciated but obsolescence was charged against profits when reconstruction took place. However this accounting change is not material, the directors say.

Current account balances and advances to customers increased in the UK, but costs continued to rise. Comparative results over the past three half-years were also substantially affected by movements in interest rates and margins.

Average base rate fell from 10.57 per cent in the first half of 1977 to 7.28 per cent in the second half and then rose to 7.44 per cent in the first half of this year; the margin between average base rate and average deposit rate in the same periods fell from 3.98 per cent to 3.79 per cent and then to 3.41 per cent.

International earnings were well maintained in the face of more competitive conditions and despite exchange movements affecting the translation of foreign currency working capital into sterling. These exchange movements reduced profits by £4.7m compared with £2.8m in the second half of 1977 and £4.9m in the first half of the year.

	First half £000 1978	£000 1977
Operating profit	65,273	80,761
Share of associates	11,186	9,342
Profit before tax	76,459	90,103
Group tax	34,367	42,655
Associates tax	5,847	4,939
Net profit	36,245	42,509
Minority interest	342	174
Attributable	35,903	42,335
Dividend	7,711	6,891
Retained	28,192	35,444

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre- sponding div.	Total for year	Total last year
A.C. Cars	int.	0.18	Sept. 1	0.35	—	0.95
Carliol Inv.	int.	1.5¶	Aug. 31	1	—	3.85
Comben	int.	0.5	Oct. 4	0.5	—	1.7
Comm. Market Trust	int.	34§	Aug. 30	20.5	34	20.5
CSC Inv. Tst.		2.5	Sept. 16	1.88	—	4.38
Initial Services		3.32	—	3.1	4.57	4.1
Lloyds Bank	int.	4.64	Sept. 1	4.15	—	9.09
Robt. H. Lowe	int.	1.33¶	Oct. 2	0.88	—	3.9
Scottish and Merc.	int.	1	Aug. 18	1	—	3.02
Tyneside Inv.	int.	1.5§	Sept. 30	1	—	3.85
Weber Hldgs.	int.	1.75‡	Oct. 12	1.75	—	10.25

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Directors forecast final of not less than 7.5p. § Net of Jersey tax. ¶ To reduce disparity.

Barget at £129,226 midway

On sales of £2.96m and after an exceptional credit of £245,715, taxable profit of Barget, furniture maker, was £129,226 in the March 31, 1978, half year.

For the last full year a £132,824 loss was recorded after an exceptional credit of £25,802.

After tax this time of £79,200 the net profit came out at £50,026. Last year the tax charge was £36,500 and for the full year there was a £33,336 tax credit.

Again no interim is to be paid. The last dividend payment was 0.9p net per 25p share in 1975-76 when profit totalled £33,118.

As previously announced, the unaudited interim statement last year was inaccurate and the directors therefore consider it would be misleading to include these comparative figures.

The trading loss in the six months was caused by continued adverse trading conditions and inefficient manufacturing, coupled with a high level of overheads.

Directors have taken substantial steps to improve the profitability of the company, including a factory re-equipment programme at a cost of some £200,000, and the installation of stricter financial controls. The full effect of these improvements will not be felt until the next financial year but there should be some improvement in the second half of this year.

The net asset position has been maintained by the realisation of a capital profit of about £258,000 before tax and expenses on the sale and leaseback of the office and warehouse premises at Witham, details of which have already been circulated to shareholders, they say.

Common Market Trust

PROFITS of Common Market Trust increased from £420,659 to £670,295 in the year ended June 30, 1978 subject to Jersey tax of £133,933 against £85,216.

The interim dividend is raised from 20.5p to 34p net of Jersey tax and as usual no final dividend will be paid, the directors say.

Attributable profit for the year amounts to £545,817 compared with £313,231 after equalisation payments received, £8,650 (£22,419 payment).

BELHAVEN BWY.

Sales by the brewery division of Belhaven Brewery Group in the second three months of 1978 totalled £767,000 as compared with £660,000 in corresponding period of 1977.

This gives total sales for the first half of 1978 of £1.29m, an increase of 17 per cent over 1977.

Growth for Allied Retailers

Turnover in the current year at Allied Retailers is showing a marked improvement, and provided consumer demand continues a substantial increase in profits is expected for the full year, Mr. H. Plotnek, the chairman, says in his annual statement.

He says that there is still considerable growth potential for all trading companies in the group and he has more confidence than ever in the group's retailing concepts.

Its expansion programme is proceeding well, and in the current year 18 new stores will be opened. The full benefit from this expansion will arise in 1979-80 when total group sales are expected to exceed £100m.

In the April 1, 1978 year turnover was £65.69m (£57.72m) and pre-tax profit was £4.87m (£3.69m).

Towards the end of March this year the company purchased a carpet factory in Somerset and the group intends to manufacture ranges of carpets previously produced under sub-contract arrangements. Production turnover is budgeted to reach £4m with the bulk to be sold through Allied's retail outlets.

At balance date fixed assets were £11.82m (£8.83m) and net current assets £4.26m (£3.11m).

Meeting, Birmingham, August 17 at noon.

SAATCHI & SAATCHI

Directors of Saatchi and Saatchi Company state that due to the change in rate of ACT between the announcement and payment of the interim dividend, the net payment per share will now be 2.74p against the 2.7p originally auuo originall announced.

Initial Services up £2.8m to peak £9.6m

ON TURNOVER ahead from £75.76m to £93.36m pre-tax profits of Initial Services expanded from £6.84m to a record £9.64m for the March 31, 1978 year. At the interim stage directors reported profits up from £3.48m to £4.47m.

Earnings per 25p share are shown as 13.2p (12.8p) and the dividend is stepped up to 4.37467p (4.0983p) net with a final payment of 3.32467p.

Tax, on the ED 19 basis, was £4.08m for the year compared with a restated £1.42m, and was split as to UK tax, including prior year adjustments, £3.17m (£0.75m) and overseas tax £0.9m (£0.68m); profit after tax was reduced to £5.57m (£5.42m).

Directors state that unrelieved losses overseas, the irregular timing of capital expenditure, and variations in stock levels, contributed to the total tax charge for 1977-78 being relatively high.

There was an extraordinary debit for the period of £0.39m against £76,059 last time and the attributable balance came out at £5.19m (£5.34m) after minority interests and profit of £11,157 (£4,528 loss).

Retained profit came out at £3.24m (£3.59m) after preference dividends £23,800 (same) and ordinary dividends £1.93m (£1.73m).

The group's main activities are provision on a hire, service and replacement basis of towels, coats, industrial garments, machinery cleaning cloths and floor mats and manufacture of bathroom fittings and towel cabinets, etc. It is an associate of British Electric Traction.

● comment

Full year figures from Initial Services are better than expectations at the pre-tax level. As usual the group is giving little away at the preliminary announcement stage. But the 41 per cent advance overall for the year (with a 54 per cent jump in the second half) in taxable profits owes much to the strong demand for protective industrial garments, due to tougher legislation, as well as to a first time contribution from Kex Industrial Services. Overseas has been less inspiring with a continuing flat performance in Australia in line with economic conditions. When the accounts appear the group's borrowing position will be of particular interest. It recently increased its borrowing powers from once to one and a half times share capital and reserves—from around £27.3m to around £41m. A turnover rise of over a fifth is likely to have injected working capital needs, and together with the Kex purchase which cost £2.4m will have pushed debt well over the £16m mark apparent in the last accounts. At 73½p the shares stand on a p/e of 5.4 (on a 42 per cent tax charge) and yield 9.7 per cent, nearly three times covered. The imponderables overhang the rating.

Utah resuming coal shipments

Australia's most profitable company, Utah Development, has lifted force majeure on its coal shipments after workers at its four coking coal mines voted to resume work on Monday, a Utah spokesman said in Brisbane yesterday.

Union sources said the men agreed to return pending negotiations on their claim for higher over-award wage payments but added that they will strike again if Utah does not come up with the right offers.

The Utah spokesman said normal coal production should start within a day or so of the return and railings to ports would commence soon after. The strike began on June 7, but there was a brief return to work between June 14 and 19. Force majeure was declared in late June.

Alida falls in first quarter

Mr. Rex Stone, chairman of Alida Packaging Group, said at the AGM that the first quarter's trading had been affected by the unpredictable markets the group operates in and the overall sluggishness, and that profits were lower than the corresponding period last year.

The mini consumer boom, he added, had begun to reflect through in order intake and the prospects over the next six months looked more encouraging than the same time last year.

He said the group should have two new ventures under way within the next three months. Both ventures were green field activities, he stated, and involved, first, the development of a local packaging business in Derby, providing a composite packing service for the local business world, and the launching of a speciality products division which would fill the gaps in the main company's product ranges.

On acquisitions the chairman commented that energies continued to be expended on assessing certain opportunities, and that, hopefully, something more concrete could be reported on in the future.

AC Cars first half rise but sounds warning

Turnover of AC Cars improved from £1.32m to £2.01m in the six months to March 31, 1978 and profits were higher at £99,672 against £90,000 including Pem Trailers for the nine months to March 31.

However the directors confirm last September's warning that results for the second half will be seriously affected by the winding down of contracts for invalid cars. It may prove difficult for the group to remain profitable during this period, they say.

It is considered best at this stage to recommend a reduced interim dividend of 0.175p against 0.35p previously. Last year's total was 0.95p from pre-tax profits of £218,456.

After tax of £51,420 (£46,800) net profit for the first half is £48,252 against £43,200 giving earnings per 5p share of 2.07p (2.16p).

CHAMBERLIN & HILL OUTLOOK

Mr. T. Martin, chairman of Chamberlin and Hill said at yesterday's AGM that be was encouraged by the results in the first quarter of the current year, following the improvements of the second half of last year.

Results due next week

Hard on the heels of Lloyds Banks' first half profits announced yesterday come the results of three other major High Street banks next week. Interim announcements are due from National Westminster Bank on Tuesday with Barclays Bank on Thursday and Midland Bank on Friday. The other main features are first half profits from Taylor Woodrow and final results from Redland and Inchcape.

Yesterday's disappointing results from Lloyds Bank has caused analysts to take another look at their forecasts for Midland, NatWest and Barclays, whose first half results are due out next week. At a time when the stronger pound was expected to give a small exchange surplus, Lloyds announced that profits were around 15 per cent lower at £76.46m after exchange movements reduced the outcome by £4.7m. (Roughly the same as last year.) As a result analysts have scaled down their predictions slightly. But still the range of expectations is fairly wide. For NatWest, analysts look for between £108m and £122m (£109.95m) while for Midland they forecast between £97m and £103m (£102.42m) and Barclays between £137m and £150m (£131.5m). In each case overseas and hire purchase interests will have shown healthy advances but parent company performances will have been hit by lower interest rates—the average base rate has fallen from 10.6 per cent in the first six months of 1977 to 7.4 per cent in the first half of the current year.

Analysts are not expecting much from Taylor Woodrow at the half way stage or indeed for the year as a whole. Half year figures, to be declared on Tuesday, are likely to be around £8.5m pre-tax compared with £7.7m last year. Half year figures are nearly meaningless for some of the major contractors anyway, because of the way in which they take profits on long-term contracts. Meanwhile the market is taking the chairman's observations in the annual statement for the full year performance seriously. He warned then that there had been no improvement in the amount of new work available to the building industry in the UK, and that work overseas was more competitive. Around £24m is expected for the year compared with £22.3m.

Inchcape, the overseas trader, is expected to declare an uninspiring set of full-year figures on Thursday. The range is from around £68m to £72m pre-tax compared with £73.4m. The de-consolidation of the Nigerian interests and a currency swing—from a positive contribution of around £10m in the previous year to a negative figure of perhaps £3m in the latest financial year — will not have helped. And, unlike some other overseas traders Inchcape has no plantation interests—and that has been where most of the action has been centred in an otherwise dull year. There has also been a slowdown of growth in the Middle East.

Redland's full year figures due on Tuesday are expected to be in the region of £38.6m pre-tax, compared with £34.16m, although some brokers are looking for over £40m. Braas, the important West German subsidiary and the Australian associate Concrete Industries (Monier) have already declared figures. So the only speculation is about the UK side. The second-half winter period and a still sluggish housing cycle could have had some impact on performance, although the group will have been supported by a more active renovation market.

Other results to note are interim profits from Grindlays Holdings on Tuesday. Vosper's interim on Wednesday and preliminary profits from Fitch Lovell on Thursday.

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
A.A.H.	Monday	2.5	5.0	2.75
Amalgamated Distilled Products	Tuesday	Nil	0.25	0.5
Brady Industries	Friday	1.75	2.9125	1.75
Cawoods Holdings	Thursday	0.87	2.342	0.973
Change Wares	Monday	0.4	Nil	Nil
Crossfriars Trust	Friday	1.25	2.05	1.75
Davy International	Tuesday	3.25	6.6	3.63
Denbyware	Thursday	2.1125	2.206976	2.1125
Fitch Lovell	Thursday	1.144	2.51859	1.27776
General Engineering Co. (Radcliffe)	*Friday*	*0.26667*	*0.68687*	*0.33*
Craig Shipping	Monday	5.0	11.49	4.0
Hardy and Co. (Furnishers)	Friday	Nil	0.2	Nil
Hillards	Thursday	1.0	3.413215	1.0
Howard Tenens Services	Tuesday	0.737	0.967	0.823
Inchcape	Thursday	4.55	5.45	6.0
Ingram (Harold)	Tuesday	1.29	1.72	1.29
Laurence Scott	Wednesday	0.8	2.22	2.0
Lowland Investment	Friday	0.8	1.1	0.9
Lynton Holdings	Thursday	1.1	1.148	1.2
Macarthys Pharmaceuticals	Tuesday	1.0	2.95	1.5
Mining Supplies	Friday	—	1.66667	—
Neepsend	Monday	0.9175	2.09175	0.92125
P.M.A. Holdings	Wednesday	—	Nil	—
Pullman (R. and J.)	Thursday	1.65	3.7787	1.81
Redland	Thursday	1.7394	2.043	2.004
Rosgill Holdings	Wednesday	—	Nil	—
Stavert Zigomala and Co. (Holdings)	Friday	—	3.9	—
Siebe Gorman Holdings	Monday	1.98	3.072	2.212
Somportex Holdings	Wednesday	—	3.75	—
Staflex International	Friday	1.38	1.61	Nil
Steinberg Group	Friday	0.32	0.397	0.32
Stock Conversion and Investment Trust	Wednesday	0.5125	10.90	0.99
Wheeler's Restaurants	Tuesday	1.46	2.93	1.63
INTERIM DIVIDENDS				
Barclays Bank	Thursday	5.3	5.5491	
Beaumont Properties	Thursday	1.155	2.3114	
Cardinal Investment Trust	Thursday	1.5	2.4	
Gillett Brothers Discount	Wednesday	6.6	8.58	
Glasgow Stockholders Trust	Tuesday	0.85	1.55	
Grindlays Holdings	Tuesday	1.0	1.75	
Hill and Smith	Thursday	0.68181	1.90909	
Howard Machinery	*Tuesday*	*1.045*	*1.188*	
Jacobs (John I.)	Thursday	0.55	1.29906	
Jamesons Chocolates	Monday	0.849	2.406	
Ladies Pride Outerwear	Monday	0.83333	1.5	
Leda Investment Trust	Monday	0.99	1.782†	
Midland Bank	Friday	5.73	9.0[illegible]	
National Westminster Bank	Tuesday	5.165	6.32279	
Plastic Constructions	Friday	0.69	1.385	
Pratt (F.) Engineering Corpn.	Wednesday	1.6482	3.1639	
Prestige Group	Thursday	1.75	3.8345	
Rotaflex (Great Britain)	Tuesday	0.4722	1.1275	
Taylor Woodrow	Tuesday	1.98	5.6229	
Vantage Securities	Tuesday	0.15	0.55	
Vosper	Wednesday	2.286125	2.7488	
Yorkshire Chemicals	Thursday	2.3395	2.40734	
INTERIM FIGURES ONLY				
Albion	Wednesday	—	—	—
General Stockholders Investment Trust	Wednesday			
Greenfriar Investment	Monday§	—	—	—
Porvair	Monday			

* Dividends shown net pence per share and adjusted for any intervening scrip issue. † Second interim. ‡ Includes second interim of 7.25p. § First quarter.

BIDS AND DEALS

Over £1m seen by new garage group

The merger of Manchester Garages, the big Ford dealer, and Oliver Rix, its BL counterpart, will result in a new company with a turnover of £40m and a forecast profit of not less than £1.1m. In its first year shareholders will get a dividend of 3.2p.

Terms of the merger, announced yesterday, give Manchester Garages an initial 60 per cent of the equity of the new company, which has yet to be named. But Oliver Rix's shareholders will be offered convertible loan stock and, taking that into account, they could by 1986 end up with 51 per cent with Manchester's share dropping back to 49 per cent.

On the news, Manchester's shares dropped ½p to 34p and Rix, which had reached a peak of 9p while the talks continued, ended a shade down at 7½p.

The documents include separate profit forecasts for each company. Manchester expects not less than £650,000 by December, which is around £100,000 lower than market estimates. But, it was Rix's forecast which attracted attention. It is going for £450,000 for the year to September, a good £150,000 more than the market had been expecting, and a powerful continuation of the recovery in its performance which began last year.

The terms being made to Rix's shareholders, and the share it will ultimately receive in the new company, suggest expectations of even further growth to come.

They are being offered eight shares in the new company for every 100 Rix shares, plus £2 nominal of 12 per cent unsecured convertible loan stock 2003 (convertible between 1981 and 1986), plus two 10.5 per cent redeemable cumulative £1 preference shares.

Manchester will get a straight one-for-one share exchange, and there will be 42 new preference shares for every 100 currently held.

If the offers are fully accepted—and for success at least 90 per cent will be needed—the new company will have an issued capital of £2.66m (the shares have a nominal value of 20p) plus convertible loan stock with a face value of £1.33m. The conversion terms of three shares for every £1.35 nominal of stock would add a further 2.9m shares to the equity.

The new company will start life as a relatively high yielder. Manchester and Rix have committed themselves to dividends for this year equivalent to 3.2p gross, which on a nominal value of 34p per share in the new company, equates to a yield of 9.4 per cent. The average yield for the sector is 6.5 per cent.

The deal carries the firm recommendation of both Boards and their advisers, Illingworth and Henriques Rickitt (for Manchester) and Baring Brothers (for Rix).

The consent of the key shareholders has also been obtained. Mercantile Credit, which owns 29.96 per cent of Manchester, and Lombard North Central, which has 11.5 per cent of Rix, have already announced their intentions to accept.

Imps spells out benefits

Mr. John Pile, chairman of Imperial Group said in an offer document sent to J. B. Eastwood shareholders yesterday that a merger between the two groups would allow Imperial to expand its meat export interests.

Imperial is bidding £38m for Eastwood for which Gargill the U.S. concern is already offering £31½m. Imperial's offer is worth 160p a share.

Mr. Pile in his letter to Eastwood shareholders says: "Eastwood's business in the wholesaling of meat will augment Imperial's developing business in this area, including exports."

He said that Eastwood's poultry and egg interests would compliment Imperial's own food interests and "allow further improvements in service to the consumer."

30p OFFER FOR W. J. PYKE

W. J. Pyke (Holdings) announces that 285,190 shares in the company have been acquired by Mr. and Mrs. D. B. Thompson from members of the Pyke family, at 30p per share. This represents 37.28 per cent of the capital.

In accordance with Rule 34 of the City Code on Take-overs and Mergers this will be followed by a formal offer for the remaining shares at the same price. Following the receipt of the formal offer the Board and its independent advisers will be circulating their views to shareholders.

NO PROBES

The following proposed mergers are not to be referred to the Monopolies Commission: W. H. Smith and Son and Porter Brothers (wholesale distributors); Fairclough Construction Group and Robert Watson and Co. (Constructional Engineers).

British Midland being sold for £2.87m

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MINSTER ASSETS is selling for £2.87m its wholly-owned subsidiary, British Midland Airways, to a group comprising three existing executive directors of the airline and a substantial private U.S. investor.

Control of British Midland will remain in UK hands, and it will continue to be run as an airline.

The deal remains subject to certain statutory consents, and to the approval of Minster shareholders.

The three executive directors who will now control the airline are Mr. Michael D. Bishop, the present managing director, who will be the largest shareholder in the company; Mr. John Wolfe, general manager; and Mr. Stuart F. Balmforth, financial director and secretary.

The U.S. member is Dr. Robert F. Beauchamp, a Californian with substantial interests in finance, construction, real estate, insurance, farming and marine recreation.

The three UK executive directors will hold between them 75 per cent of the capital of British Midland. Dr. Beauchamp will hold the remaining 25 per cent.

Mr. A. R. G. McGibbon and and Mr. C. D. Murland, respectively chairman and a director of Minster who also are non-executive directors of British Midland, will now leave the airline's Board.

A joint statement announcing the deal said that at December 31, last year, the consolidated audited accounts of British Midland and its subsidiary showed net tangible assets of £2.05m before providing for a further dividend for 1977 of £325,000. Profits, before tax, for 1977, were £1.47m, which were reduced after tax to £679,342.

The total of £2.87m to be paid to Minster comprises £2.55m for the assets and the dividend of £325,000 for 1977.

The purchasers have given assurances that the interests of all British Midland employees, including pension rights, will be safeguarded. The new owners will carry on the airline, and expand it. Minster has been advised by Hill Samuel and the executive directors of British Midland by Arbuthnot Latham.

British Midland, based at East Midlands Airport, near Derby, is the UK's second largest independent scheduled service operator, with a network of domestic and Continental routes served by Viscount and DC-9 aircraft.

In addition, a leasing division runs a fleet of Boeing 707 jets overseas for international airline customers. The group at present employs about 1,000 personnel.

Sandvik wins over Spooner with 95p

Sandvik has come back with a second offer for Spooner Industries—15p higher than the 80p it first suggested—and has won the recommendation of the Board.

The directors said yesterday that they consider this price fair and reasonable, urged shareholders to accept and announced their own intentions of doing so.

Sandvik, the wholly owned subsidiary of the giant Swedish steel and cemented carbide group, Sandvik AB, stepped into the battle for Spooner with an initial bid of 80p cash a share after the British engineering group, Redman Heenan had offered 65p cash a share for each Spooner share.

The Spooner directors rejected both initial bids as being completely inadequate and unacceptable. But the directors, and their advisers, Hill Samuel, consider the latest offer, which amounts to an exit p/e of around 10 on historical basis to be fair and reasonable. It values Spooner at £4m.

While no profit forecast has been made it is thought unlikely that an exit p/e based on prospective earnings would be much different from the historical figure.

The formal offer documents, which will be circulated next week, are expected to show that a revaluation of land and buildings has been carried out.

Sandvik has indicated that Spooner will fit into its conveying belting division as a separate entity and that, while Sandvik will appoint new members to the Board, it is unlikely that any current director will retire.

Thomson moves for Piper and Claymore stake

The Thomson Organisation looks close to exercising the option it has held for many years to buy 90 per cent of Thomson Scottish Associates' 20 per cent stake in the Piper and Claymore petroleum fields in the North Sea.

Yesterday the company asked for its shares to be suspended "pending an announcement of a scheme of arrangement involving the North Sea petroleum interests of TSA."

The move has been expected for some months as the loans raised on both fields (£310m for Claymore and £380m for Piper) began to be repaid. In the case of Piper they have now been fully repaid.

Thomson has always said that it would take up its option when cash flow became positive. By last May, in his annual statement, Mr. G. C. Brunton, the chief executive, made it clear that the move would be made in "the foreseeable future."

According to figures prepared by Wood Mackenzie, the Scottish stockbrokers, Thomson should acquire earnings of 20.2p in 1978 alone from the Piper field and just under 5p from Claymore, which is still in its early production phase. The firm estimates the net present value of Thomson's share of both fields to be 173p per share.

The Piper field is the second biggest producer in the North Sea with a discounted cash flow return of 49 per cent. It is at present producing some 230,000 barrels of oil per day (compared with 208,000 a year ago) and is expected to reach a peak of 300,000 next year.

Claymore, which came on stream last November and is now producing 58,000 barrels a day, should reach 120,000 by next year and thereafter climb to a peak 150,000.

ISSUE NEWS AND COMMENT

NEB backing for Negretti & Zambra

The National Enterprise Board is taking a near 30 per cent stake in a small electronics company, Negretti and Zambra, as part of a fund raising exercise that will provide Negretti with cash of £1.56m.

The financial package incorporates a rights issue of convertible preference stock to existing holders, a similar amount issued to the NEB and a further issue of deferred shares to the NEB.

Cash raised will be used to finance Negretti's expanding microprocessing equipment business.

The market capitalisation of Negretti prior to this issue was only £1.7m so it would have been impossible for the company to raise the necessary finance from a conventional rights issue alone.

Six months ago the company started discussing its problems with the NEB but the company also contacted other financial institutions such as Equity Capital for Industry.

The actual terms of the package are that Negretti will offer 460,622 9 per cent Convertible Redeemable £1 Preference shares to ordinary holders on the basis of one-for-five at par. An equal number of shares will be allotted to the NEB at the same price.

These shares will be convertible between 1980 and 1998 on the basis of 125 ordinary for every 100 convertible preference. This is equivalent to a conversion price of 80p.

Apart from the preference the NEB will also subscribe for 960,000 deferred ordinary shares at 74p, which will not rank for dividends for two years.

Out of the total package of £1.56m the NEB will be putting forward £1.17m. The NEB has said that it intends to keep its stake below 30 per cent assuming that the company does not run into trouble. Mr. N. C. F. Barber of the NEB will be joining Negretti's board.

ICFC, which has 9.7 per cent of the equity, will be taking up its rights. The issue has been underwritten.

Negretti has long been involved in the electronics field but it was not until the early seventies that the company foresaw the potential for silicone chips in microprocessing.

A MPC 80 can cost as little as £5,000, though "somewhat like lego" it can be added to—to date the highest cost system in use is over £40,000. So far £½m of MPC 80 equipment has been installed.

The funds raised will be used to further develop the microprocessor based system in the UK and in Europe. The MPC80 system has already been applied in the food, chemical, petrochemical, textile and power generation industries.

The company has also commenced production of a microprocessor-based structural damage measurement system for the Tornado aircraft.

Chairman, Mr. Bob Ford, said yesterday that during the last 12 months the company has made major progress in its plans to establish a strong product, organisational and financial base from which to move forward into the 1980s.

Along with this financial package Negretti comes up with some unexciting full year figures. Pre-tax profits are down from £330,274 to £238,170, on sales of £9.39m (£8.77m).

The directors are proposing a dividend of 3.63338p per share compared with 3.30307p. Earnings per share are shown at 7.2p (10.2p).

At the half way stage the directors warned shareholders that the company was experiencing depressed trading conditions. The cost of organisational changes have been treated as extraordinary items but the high level of expenditure on product development, which runs into six figures, has been taken against the trading profit.

Turning to the future the chairman states that the majority of the company's profits are earned in the second half but trading in the first two months shows an improvement over the comparable period.

● comment

Negretti has found itself a softwear product with a wide use in process industries but lacks the financial muscle to see it through. A conventional rights issue to raise enough capital was out of the question, and a straight loan would have made the balance sheet too heavily geared. Before the fund raising package borrowings equalled £2m against shareholders' funds of £3m and the interest charge in the last 12 months creamed nearly 50 per cent off trading profits. So Negretti has come up with a package which should be acceptable to existing shareholders and will raise new money equal to its existing market capitalisation. But interest charges on the preference shares will amount to nearly £83,000 a year, so it is as well that the NEB is taking a two-year dividend holiday on its deferred shares. However the short-term profit's picture is not exciting, and the Microprocessing activities will not really make an impact until the 1980s. Negretti is not another Racal but it has got potential though at 75p the p/e of 9.9 and yield of 7.7 per cent is not really far behind events.

Camden raising £25m

LONDON BOROUGH OF CAMDEN is raising £25m by the issue of variable and fixed rate stocks, applications for which will open and close on July 26.

The variable rate issue amounts to £10m and has a life of five years. It is priced at 99¾ per cent and is payable in full on application.

Interest is half yearly on January 27 and July 27. The first payment will be made on January 27, 1979, at the rate of £5.8129 per cent, which is ¾ per cent per annum above LIBOR, a rate which will be maintained for subsequent dividends.

The stock will be redeemed at par on July 27, 1983.

The fixed rate stock amounts to £15m and has a coupon rate of 12.5 per cent. It has a life of seven years and is redeemable at par on July 15, 1985.

It is priced at £99¼ per cent, payable as to £10 per cent on application, £40 per cent on August 22 and the balance on November 21.

Interest will be paid half yearly on January 15 and July 15. The first payment on January 15, 1979, will be at the rate of £3.5467 per cent.

The purpose of both issues is to finance authorised capital expenditure and to replace maturing debt.

Brokers to the issues are Pember and Boyle.

● comment

The attractions of Camden's fixed interest rate stock are not exactly clear cut. At the issue price of £99¼ per cent, it offers a running yield of 12.59 per cent with 12.66 per cent at redemption in 1985. A good comparison would be Liverpool's 13 per cent 1985 stock issued last August, which is offering a running yield of 12.68 per cent and a redemption yield of 12.45 per cent. So, Camden's issue does not appear to be giving much away but the premium on redemption yield should insure reasonable interest. Of course much will depend on the movement in the gilt-edged market between now and next Wednesday.

ERNEST JONES ALLOTMENTS

The basis of allotment has been announced in connection with the offer for sale of 1.5m shares in Ernest Jones (Jewellers).

Employees' applications have been allotted in full.

Applications from the public will be dealt with as follows: 200 to 19,000 shares—weighted ballot for 200; 20,000 to 25,000 shares—200; 30,000 and 35,000 shares—300; 40,000 and 45,000—400, and 50,000 shares and over—1 per cent of amount applied for.

UNIT TRUSTS

An intriguing field for investment

That curious and intriguing business, investment in commodities, is turning out to provide something of a focus for interest this weekend. Unlike the offshore funds whose position is discussed on page seven, however, Midland Drayton's Commodity and General Unit Trust does not put its money directly into the "softs" and the "metals" themselves. By law, being an authorised UK trust, it can't.

What it does do is invest in the shares of companies which produce, process or trade in the essential commodities—and to exceptionally good effect. Since its launch in September 1978, the value of units in the trust has risen by 207 per cent, as against a rise of only 27.8 per cent in the FT Actuaries All-Share Index over the same period. But more important still, its performance over long periods in the intervening years has been good too. All of which certainly says something for the Midland Drayton fund managers, and presumably says something for commodity shares as well.

Indeed, the thesis of the Midland Drayton team is that, with world demand for raw materials growing, commodity shares must be an excellent buy for the longer-term. It's a claim with a lot to recommend it, but it doesn't stand alone.

Indeed, the managers of two of the other funds on offer this week would make exactly the same claim for their own particular speciality—recovery stocks. The team of M and G is obviously well qualified to make it, for their Recovery Fund has topped the league tables for years at a stretch: though now displaced from its high ranking, it is still outperforming the indices and providing its unitholders with a capital gain. The managers of Target's Special Situations Fund, in contrast, still have their point to make, for their portfolio has only relatively recently been reconstituted from the old Coyne Growth Fund, to invest in a relatively limited number of bid, recovery and asset situations.

There is one novelty on offer this week: Save and Prosper's European Growth Fund. Most funds invested in Europe have proved to be very disappointing performers over the past few years: but the managers of S and P's fund reckon that the moment is now right for the investor to take advantage of the strong growth rates and strong currencies available across the water.

None of these funds exactly qualified as a buy for the income seeker—though Target is aiming to provide its new subscribers with a yield of 7 per cent by the end of a year. London Wall, however, is offering a yield of 10 per cent on units in its Extra Income Growth Fund, an equity-biased vehicle which has done its holders proud, in the past, for capital growth as well.

If you must squeeze out the very best possible in income terms you might like to consider, instead, Crescent's new, four-year Guaranteed Income Bond, which is paying 8½ per cent net (equivalent to 12¾ per cent gross to the basic rate taxpayer). The problem with a fixed capital, fixed income investment of this nature is that no allowance is built in for inflation—but for so relatively short a commitment this is an attractive return.

SUMMARY OF THE WEEK'S COMPANY NEWS

Take-over bids and mergers

Imperial Group has made a surprise £38.2m counterbid for **J. B. Eastwood** at a premium of almost £7m on the offer tabled by the U.S. concern Cargill three weeks ago. Imperial, which has substantial egg and poultry interests through its Ross Buxted Nitrovit subsidiary, is bidding 160p a share, 21 per cent above Cargill's 132p offer. Cargill, one of the world's largest grain traders, has yet to respond to the Imperial offer. A reference of Imperial's bid to the Monopolies Commission could provide a stumbling block because the proposed merger would create a group with a 32 per cent share of the UK broiler chicken market. The deal would also leave the merged business with a strong position in UK egg and turkey markets.

Birmingham and Midland Counties Trust's offer of 124½p a share was quickly rejected by **Weston-Evans** on the grounds of inadequacy. BMCT, a privately-owned company controlled by Mr. G. F. Lacy and Mr. C. McBride, bought a 26 per cent stake in Weston last April at a price of 100p, has since increased its stake to 42 per cent through further purchases at prices up to 124½p and is now making a general offer to all other shareholders.

Newman Industries has offered to buy 500,000 shares (12½ per cent) of **Wood and Sons** at 55p on a first come first served basis. Newman Industries has bought or received bid acceptances for 34.7 per cent of Wood's ordinary shares and purchased another 13,000 or so shares in the market on Thursday. Newman Industries' offer is effectively a limited extension of the cash offer it made originally.

Barclays Bank International has agreed to pay $191m (about £100m) for a major expansion in the U.S. by acquiring the **American Credit Corporation**. The deal will give Barclays its first substantial investment in a leading American consumer finance company and fits into the recent pattern of expansion in the U.S. by foreign banks.

Saint Piran, the tin mining property group, has given up its struggle with **A. Monk** and has sold its 29.95 per cent stake in the civil engineering concern to Davy International for £3.3m.

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid (£m's)**	Bidder	Final Acc'ce date
Prices in pence unless otherwise indicated.						
Albright & Wilson	195*§	187	123	115.04	Tenneco	—
Cornercroft	65*	65	56	1.62	Armstrong Equipment	—
Crossley Building Products	105*	104	64	7.07	Bowater	—
Customagic	21*	17	19½	1.10	Mooloya Invs.	—
Eastwood (J. B.)	132*	154	90	31.53	Cargill	—
Eastwood (J. B.)	160*	154	125	38.22	Imperial Grp.	—
Econa	95½	90	72	3.95	Newmn.-Tonks	—
Fluidrive Eng.	82½	82	82	5.67	Assocd. Eng.	—
Fluidrive Eng.	74½	82	55	5.11	Thos. Tilling	—
Henderson (J. W.)	210*	210	155	5.65	Cement-Roadstone	21/7
Henshall (W.)	20*	21¼	18	0.50	Borbourne	—
Henshall (W.)	30*	21½	21	0.75	Petford	21/7
Investment Trust Corp.	286	281	255	89.57	Barclays Bank/P.O.P.F.	—
Leslie & Godwin	125*	122	116	24.51	Frank B. Hall	7/8
Lond. & Liverpool Trust	21*	25	19	0.32	Aschheim Secs. & W. & A. SA Zug	—
Mitchell Cotts Transport	83§	78	82	1.28	Mitchell Cotts Group	—
St. Kitts (London) Sugar	200*	200	170	0.78	Industrial Equity	—
Spooner Inds.	85*	87	53	2.76	Rdmn. Heen'n	28/7
Spooner Inds.	95*	87	77	4.03	Sandvik	28/7
Trident Group Printers.	63*	69	53	2.76	Starwest Inv.	—
Weston-Evans	124½*	128	110	6.71	Birmghm. & Mid. Counties Tst.	—
Wood & Sons	59½	55	48	2.38	Newmn. Inds.	28/7

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Combined market capitalisation. || Date on which scheme is expected to become operative. ** Based on 20/7/78. †† At suspension. ‡‡ Estimated. §§ Shares and cash. ¶¶ Based on 21/7/78.

Scrip Issues

Magnet and Southerns: One for two ordinary.
Hampson Industries: One for 10 ordinary.

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allied Textiles	Mar. 31	1,646	(1,389)	4.209	(3.827)
Assoc. Fisheries	Mar. 31	1,353L	(1,465)	Nil	(1.2)
Berisfords	May 20	449	(437)	0.775	(0.704)
Birmid Qualcast	Apr. 29	3,801	(6,388)	1.5	(1.35)
Bootham Engrs.	Apr. 30	259	(196)	4.5	(Nil)
Bulloughs	Apr. 30	2,174	(1,450)	6.163†	(5.603)
Dewhurst & Prtnr.	Apr. 2	128	(73)	0.275	(0.25)
Derby Trust	June 30	351	(259)	7.09	(6.299)
Drake & Scull	Apr. 30	1,110	(505)	1.0	(Nil)
Hirst & Mallinson	Apr. 29	125	(217)	1.0	(0.9)
Inveresk Group	June 17	701	(1,520)	1.417	(1.375)
Meggitt Hldgs.	Apr. 30	161	(40)	0.221	(0.195)
Rank Org.	May 13	57,550	(61,070)	4.0	(2.187)
Status Discount	June 17	1,621	(596)	2.01	(0.65)

(Figures in parentheses are for corresponding period.)
Dividends shown net except where otherwise stated.
* Adjusted for any intervening scrip issue. † Includes second interim of 3.13p. L Loss.

Rights Issues

Wm. Leech: One-for-four at 70p.
Tecalemit: One for five at 110p.

Offers for sale, placings and introductions

London Borough of Wandsworth: £3m £99¾ per cent variable rate stock 1983
Ernest Jones (Jewellers): 1.5m ordinary 10p shares at 115p

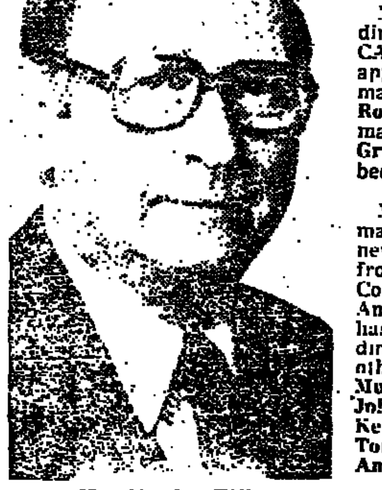
PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Airfix Inds.	Mar. 31	2,088	(4,034)	4.6	(7.6)	3.222	(2.883)
Allnatt London	Mar. 31	3,466	(2,711)	9.5	(7.4)	4.3	(3.86)
Astra Indl.	Apr. 30	1,020	(811)	3.8	(3.3)	1.128	(1.0)
Birmingham Mint	Apr. 1	386	(365)	16.8	(9.3)	4.86	(4.35)
Black Arrow	Mar. 31	365	(175)	4.7	(2.2)	1.6	(0.8)
Brotherhood (P.)	Mar. 31	764	(1,388)	14.3	(28.7)	6.332	(5.775)
Burt Boulton	Mar. 31	880	(1,030)	28.2	(32.7)	10.0	(10.0)
Butterfield-Harvey	Apr. 1	2,770	(1,750)	13.4	(9.2)	3.25	(2.101)
Dowty Group	Mar. 31	25,038	(18,073)	19.0	(15.6)	4.465	(4.18)
FMC	Apr. 29	930	(3,100)	12.5	(19.4)	4.0	(6.0)
Fodens	Mar. 31	2,844	(1,758)	27.7	(13.1)	3.35	(2.475)
Forminster	Apr. 30	1,260	(1,090)	20.1	(21.0)	5.241	(3.745)
Gordon & Gotch	Mar. 31	1,007	(801)	11.9	(9.2)	5.28	(2.4)
GUS	Mar. 31	128,102	(112,292)	25.3	(21.8)	8.249	(7.386)
Hampson Inds.	Mar. 31	614	(566)	2.3	(2.1)	0.762	(0.682)
Harris (Philip)	Mar. 31	702	(685)	10.1	(10.0)	4.276	(3.867)
Haslemere Ests.	Mar. 31	2,830	(1,800)	9.6	(6.0)	3.303	(2.957)
HAT Group	Feb. 28	2,090	(3,105)	5.3	(7.6)	2.012	(1.803)
Hogg Robinson	Mar. 31	9,511	(7,859)	19.1	(17.3)	6.21	(5.525)
Hollis Bros.	Mar. 31	1,560	(2,210)	8.6	(11.6)	4.488	(4.019)
Illingworth-Morris	Mar. 31	4,760	(2,915)	9.9	(4.6)	1.484	(1.323)
Johnson-Richards	Mar. 31	5,514	(3,789)	15.0	(10.1)	1.789	(1.603)
Jones Stroud	Mar. 31	2,410	(2,130)	21.3	(14.6)	4.667	(4.28)
LRC Intl.	Mar. 31	6,671	(7,200)	4.0	(4.2)	2.228	(1.714)
Magnet & Stherns.	Mar. 31	14,220	(14,460)	27.9	(30.0)	8.922	(8.0)
Marston Thomson	Mar. 31	4,160	(3,450)	8.0	(6.5)	1.881	(1.684)
Meyer (Montague)	Mar. 31	12,952	(14,295)	12.7	(21.4)	4.673	(4.158)
Nova (Jersey)	Mar. 31	236	(118)	3.6	(2.3)	1.5	(0.5)
Preedy (Alfred)	Mar. 25	1,210	(1,070)	13.6	(14.7)	2.85	(2.422)
Russell (Alex.)	Mar. 31	503	(403)	13.3	(13.9)	2.243	(2.009)
Sheffield Refshmt.	Mar. 31	180	(148)	6.0	(4.6)	1.826	(1.635)
S. & U. Stores	Jan. 31	532	(146)L	6.0	(—)	—	(—)
Syltone	Mar. 31	1,040	(646)	26.4	(21.6)	5.623	(5.035)
Tomkins (F. H.)	Apr. 30	1,770	(1,470)	3.3	(2.7)	1.0	(0.867)
Unigate	Mar. 25	31,500	(22,800)	8.8	(6.9)	3.435	(3.075)
Vita-Tex	Apr. 30	507	(481)	7.6	(7.0)	3.5	(3.2)
Western Mills	Mar. 31	918	(661)	8.8	(6.4)	3.7	(3.3)

APPOINTMENTS

Senior changes at Conoco North Sea

Mr. Charles F. Ellis has been appointed to the new position of vice president and general manager, Northern operations, for CONOCO NORTH SEA INC. and Mr. David L. Bowler has become manager, Northern operations. Both will be based in Aberdeen. Mr. Philip L. Zuvanich, formerly



Mr. Charles Ellis

vice president, production for Conoco North Sea, has been made vice president and general manager, Southern operations, in London and Mr. Rob E. McKee is now manager, Southern operations, for Conoco Limited's natural gas division based at the Viking gas field terminal at Mablethorpe, Lincolnshire.

★

Mr. Paul Dowling has been appointed to the Board of HYPERMARKET (HOLDINGS) as operations director.

★

Mr. Peter B. Moody has been appointed an executive director of TRICENTRAL and Mr. Gerard B. Huiskamp a non-executive director.

★

Mr. P. I. Walters, a managing director of the British Petroleum Company and chairman of BP Chemicals, has begun his year of office as president of the SOCIETY OF CHEMICAL INDUSTRY.

★

SECURICOR GROUP has made the following appointments: Mr. Brian Dudley, financial controller, UK trading; Mr. Chris Shirtcliffe, financial controller, overseas; Mr. Ken Elliott, chief accountant, Securicor International; and Mr. Cedric Hill, chief internal auditor.

★

Mr. William Brown, deputy chairman and managing director of Scottish Television, has been elected chairman of the Council of the INDEPENDENT TELEVISION COMPANIES ASSOCIATION to succeed Lord Windlesham with effect from July 30. Mr. Paul Fox, managing director and director of programmes of Yorkshire Television, succeeds Mr. Brian Tesler as chairman of the Network Programme Committee from the same date.

★

Mr. Jeremy Furber, manager of the JOHN PLAYER AND SONS factory at Stirling, Scotland, has joined the board as personnel director. Dr. David Edmond, research and personnel director since January this year, relinquishes control of personnel and takes charge of management services as well as research and development director. He continues to be responsible for leaf matters. Mr. Ted Hill, at present chief accountant of John Player, will become accounting director on the board from November 1. Mr. Tony Garrett who, in addition to his position as chairman of Imperial Tobacco has also been chairman of John Player and Sons, will give up the latter title at the beginning of November. The companies are members of the Imperial Group.

★

Mr. Ian Ruperti, sales director of Bison Concrete (Midlands), has been also appointed to the Board of BISON CONCRETE (SOUTHERN), as sales director.

★

Mr. R. V. Root has been appointed company secretary of SAWARD BAKER AND CO. from August 1.

Mr. Robin Malthouse has been appointed to the newly created position of group financial director, DOULTON SANITARYWARE with main Board responsibilities. He will report directly to Mr. C. E. Payne-Roberts, managing director. Before joining the company, Mr. Malthouse was with the Allied Polymere Group based in Altrincham.

★

Mr. Christopher Binmore, a director of LEY'S MALLEABLE CASTINGS COMPANY, has been appointed to the new position of manufacturing manager. Mr. Roger Carr has become sales manager and a director. Mr. Roy Grundy, chief metallurgist, has been made a director.

★

Mr. Jim Diggins is now chairman of RACAL ACOUSTICS, a new operating company formed from the merger of S. G. Brown Communications and Racal-Amplivox. Mr. Victor Diederichs has been appointed managing director of the new concern and other directors are Mr. John Murdoch (general manager), Mr. John Sloan (commercial), Mr. Kenneth Murray (financial), Mr. Tony Gorman (technical) and Mr. Andrew Wetzels (production).

★

Mr. G. G. Beaumont, Mrs. R. Blackburn, Mr. J. Mutch and Mr. F. Pakeman have been appointed members of the COTTON AND ALLIED TEXTILES INDUSTRY TRAINING BOARD for three years.

★

Sir George Sharp has been appointed a member of the ROYAL COMMISSION ON LEGAL SERVICES IN SCOTLAND in succession to the late Mr. G. M. Shaw.

★

Mr. J. G. C. White has been elected a director of the SCOTTISH MORTGAGE AND TRUST COMPANY.

★

Mr. Martin Carney has joined HYMAC as director, parts supply.

★

Mr. Christopher Gordon-Finlayson has been appointed managing director designate of GUTHRIE GALADARI (PTE.), the newly formed trading partnership established by the Guthrie Corporation and A. R. E. Galadari and Brothers, of Dubai.

★

Mr. G. B. Reid, of Thos. and Jas. Harrison, has been appointed chairman of ASSOCIATED CONTAINER TRANSPORTATION SERVICES taking over from Mr. R. A. Lloyd, deputy chairman of Ellerman City Liners, who has had to relinquish the chairmanship because of heavy commitments in Ellermans. Mr. W. B. Slater, managing director of Cunard Steam-Ship Company, has joined the Board of ACT Services as deputy chairman, replacing Mr. Reid who was previously deputy chairman.

★

Mr. Kenneth C. Turner is not to seek re-appointment as chairman of the ROAD TRANSPORT INDUSTRY TRAINING BOARD at the end of his term of office in September.

★

INVER HOUSE DISTILLERS has made a number of senior appointments as part of a reorganisation in the UK and Europe.

Mr. Colin Hawkins, whose previous posts include director of Courtenay Wines International and managing director of Agnews Liquorworld, is now sales director, cased goods, Europe. Mr. Allan S. C. Steel will be sales director for cased goods UK. Mr. Robert W. Pritchard becomes national accounts sales manager and Mr. Michael Barker and Mr. Roger Horsfall have been made regional managers of the Western and Eastern divisions, respectively. Mr. Christopher J. Grindell has ceased to be a director of Inver House Distillers.

★

Mr. O. T. Evans has been appointed a director and general manager of THORN AUTOMATION to enable Mr. E. Sidebotham, managing director, to spend more time on company strategy, and long term planning, particularly in the technical and export fields. Mr. Evans was previously technical and works director.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

BHP recovers with 60% profit rise

BY JAMES FORTH

SYDNEY JULY 21.

BROKEN Hill Proprietary Company, the steel, petroleum, mining and industrial group, boosted group profit by more than 60 per cent, from $A52.1m to $A81.48m (US$93.35m) in the year to May 31, 1978. The result is after allowing for BHP's brand of accounting, which partially allows for the effects of inflation. If BHP had calculated its results on the historical cost basis used by most companies the group—which is Australia's largest company and only steelmaker—would have reported a rise in earnings from A$158.99m to A$203.5m (US$233.16m).

BHP includes an allowance for the cost of replacing plant — which it calls fixed asset valuation adjustment (FAVA)—in its depreciation charge — which it calls fixed asset utilisation (FAU).

For tax purpose the FAVA is not an allowable deduction. Thus, BHP declared a group profit of A$601.3m before tax and FAU compared with A$533.2m in the previous year. The FAU was A$253m compared with A$260.3m, while the tax provision rose from A$149.2m to A$179.3m.

This represented a tax rate of 66.1 cents in the dollar in the latest year, compared with the notional company tax rate of 46 cents. The excess of accounting FAU over tax deductions relating to fixed assets resulted in a variation of 23.7 cents from the notional rate.

The 1978 profit represents a recovery from two years of disappointing results, following the record A$120.2m reported in 1975. The major reason for the increased profit was an improvement from the petroleum activities.

Crude oil production was only 4.4 per cent higher at 73.8m barrels but the profit contribution rose 31 per cent from A$79.2m to A$104.0m. The steel division, in which the greater proportion of BHP's assets are concentrated, incurred a further loss of A$43.4m: which was still an improvement on the loss of A$62.1m from steel in the previous year. The minerals division returned an almost steady profit at A$22.4m while profit of other activities edged down from A$9.3m to A$8.9m.

Total sales and investment income rose by 10.5 per cent to A$2.4bn.

Included in the FAU was a FAVA of A$118.9m which was based on an escalation rate of 11.4 per cent. In the previous year FAVA was worked on an escalation rate of 12.9 per cent. A major review was undertaken during the year on major plant lives which reduced the FAU charge by A$26.6m.

This adjustment had the effect of increasing the net profit by A$20.8m, the directors said. However, this was largely offset by a A$15m reduction in the net profit resulting from a reappraisal of a number of overseas and other ventures, largely relating to capitalised exploration and development expenditures in Malaysia, Indonesia and other areas where prospects were uncertain.

The dividend for the year was lifted from 30.5 cents a share to 31.5 cents. The declared result equalled earnings of 38 cents a share compared with 24 cents in 1976-77.

Ironic twist at Columbia

By David Lascelles

NEW YORK, July 21.

IN WHAT appears to be the final—and ironic—episode of its painful top management wrangle, Columbia Pictures last night dismissed its president Mr. Alan Hirschfield and replaced him with an official from the Securities and Exchange Commission, Mr. Francis Vincent.

The move came in the aftermath of the case involving Mr. David Begelman, a former executive who was fined $5,000 for stealing $40,000 from the company. Mr. Hirschfield is believed to have argued that Columbia should sever its links with Mr. Begelman. But the former executive enjoyed the support of several senior members of Columbia Pictures, and was eventually contracted as an independent film and TV producer.

In its announcement last night, Columbia Pictures made no mention of the Begelman affair, and executives refused to be drawn on the matter. A company statement said: "It has recently become apparent that for Columbia to move forward to new levels of accomplishment, fresh leadership and greater management unity are required."

However, Mr. Hirschfield issued a separate statement saying "The only possible explanation for the Board's action is that it is a direct consequence of the David Begelman affair during which there were serious differences of opinion and judgment between certain members of the Board and myself as to the proper resolution of the matter."

Mr. Hirschfield defended his record by pointing to the fact that he had reduced Columbia Pictures' debt, and had increased its profitability and net worth.

EIB planning Japanese issue

TOKYO, July 21.

THE European Investment Bank (EIB) is thought to be planning the issue of a dollar bond on the Tokyo capital market which, if approved by the Japanese Finance Ministry, would be the first issue of its kind.

Officials were at pains to stress today that the ministry has not received a formal application from the EIB. But it is becoming increasingly clear that an application could be made sometime in the autumn—perhaps late September for an issue of between $100m and $150m.

Some two-thirds of the loan is expected to be placed in Japan with the balance going to Europe. Unlike the dollar private placements which were seen in Tokyo prior to the oil crisis, the EIB offer is likely to have the backing of a secondary market, albeit limited to something like 100 institutions.

Finance Ministry officials said that before approving such a dollar issue the Ministry would like to be sure that subscribers use yen funds converted into dollars on the Tokyo foreign exchange market. This would thus serve the Ministry's aim of promoting long-term capital exports, and creating dollar demand which could help curb upward pressure on the yen.

Officials said it is not clear at present if and how this could be guaranteed. If financial institutions funded their subscriptions by borrowing short-term dollars overseas, this would still help promote long-term capital outflows. But it is the same "unhealthy banking practice" which helped the "Japan rate" premium to emerge when the Euromarkets were thrown into turmoil in mid-1974, officials stressed.

If the banks simply borrowed long-term dollars overseas, the net effect on the long-term capital balance would be neutral.

If such dollar issues are approved the Ministry would regard them as "only complementary" to the yen bond market which is the principal one the Ministry wants to see develop.

However, some market dealers were suggesting today that if the EIB issue is made and is successful, future issues might be made fully public. Thus the way could be opened for future bond issuers in Japan to choose between the yen and the dollar depending on prevailing market conditions.

It is generally understood that the issue—if it materialises—would not have a paying agent in Japan. Payment of interest and principal, made outside Japan, would thus not be subject to Japanese withholding tax, but would be subject to taxation when repatriated as part of the subscribers' overall tax liability at year-end, the sources said.

At the same time once in order to develop an adequate secondary market for such an issue a listing on the Luxembourg stock exchange may be applied for.
Reuter

Luxembourg bank increase

LUXEMBOURG, July 21.

DRESDNER BANK'S subsidiary, Cie Luxembourgeoise de la Dresdner Bank AG—Dresdner Bank International, said its net profit rose 13 per cent to LFr1.08bn in the year ended March 1978.

Its balance sheet total rose 8.9 per cent to LFr 221.17bn, with lendings drawn down, including loans to banks, rising 7bn to 89bn, the bank said in its annual report.

The proposed dividend is unchanged at 18 per cent on eligible capital of LFr 2bn, compared with 1.5bn the year before, with 715m francs being transferred to open reserves, after 45.9m in 1976-77.

General Foods

General Foods Corporation chairman Mr. James L. Ferguson said he expects first quarter earnings to "be higher than the first quarter of last year," reports Reuter from Tarrytown. In last year's first quarter, the food concern reported net earnings of $30.7m.

Chicago bank in default

BY STEWART FLEMING

NEW YORK, July 21.

EXCHANGE International Corporation, holding company for Exchange National Bank of Chicago, the eighth largest bank in the city with assets of around $445.7m has announced that it is in default on a $10m loan to First National Bank of Chicago.

Mr. Alvin Helfgot, assistant counsel to the bank said today that the holding company had missed an interest payment to first Chicago. The First Chicago had previously waived terms on the debt when Exchange International fell below the minimum net worth requirement on the loan.

Exchange International is controlled by Mr John S. Samuel, a New York financier who, as well as holding around 30 per cent of the Exchange stock, also has interests in coal broking through Carbomin International.

In the first half of this year Exchange National Bank earned net profits of $1.3m having recovered from losses in the same period of the previous year according to Mr. Helfgot.

But U.S. banking regulators are, Mr. Helfgot says, blocking dividend payments from the bank to its parent company Exchange International until the bank's capital position is strengthened.

He added that new capital will be infused shortly and that "it is not a dire situation. The bank is in good shape."

Exchange International has been under pressure from First Chicago to add about $3m of new capital this year and the same amount next year. The First Chicago decision is interpreted as a move designed to put further pressure on the holding company to improve the bank's capitalisation.

The loan was originally made to Exchange International in 1973 to strengthen the bank's capital. Although the loan is to the holding company which is quoted over the counter in the U.S., it is secured against the shares of the bank.

Tooth ahead in first quarter

SYDNEY, July 21.

TOOTH, Australian brewers, managed to increase group profits in the first quarter of the current year despite a fall in beer sales, chairman Mr. W. L. Fesq told the annual meeting. He gave no figures, nor did he forecast the likely profit for the current year.

Tooth earned A$14.12m after tax in the year ended April, 1978.

Fesq stressed that the acquisition of Melbourne-based Courage Breweries would provide extra production capacity. Thus Tooth will soon announce plans to increase capacity that will entail further borrowing.

● Cadbury Schweppes Australia says trading did not improve in the second quarter of 1978 to the extent expected at its annual meeting in May. As a result the profit decline for the first quarter was not fully recovered, producing a fall in after-tax profit to A$3.54m from A$3.68m in the 24 weeks ended June 17.

The company still expects calendar 1978 results to be satisfactory: last year net profits totalled A$8.77m.

Commonwealth Oil Refining reorganisation

NEW YORK, July 21.

COMMONWEALTH Oil Refining Company, said a federal bankruptcy judge in San Antonio, Texas, has approved the selection of a reorganisation management team headed by Mr. C. Howard Hardesty Junior the former vice-chairman of Continental Oil Company to help the ailing concern get on its feet.

Since March Commonwealth has been operating under the protection of chapter 11 of the Federal Bankruptcy Act.

The reorganisation team which will operate as a separate corporation called Commonwealth Reorganization Company, will begin operating in the near future.

Under the agreement the basic cost to Commonwealth will not exceed $2.9m a year including the cost of outside consultants and advisers to the Hardesty group. During its first phase of operations the team will study Commonwealth operations and problems for about five months and then report to the company's Board on whether it believes Commonwealth can become a viable entity. If the report is favourable the team will proceed with reorganisation plans. If Commonwealth is successfully reorganised within two years the team will receive a bonus of up to $2.9m.
AP-DJ

Asahi earnings

ASAHI Chemical Industry reports consolidated net income of Y5.38bn for the year ended March 31. Sales were Y574.84bn and earnings per share emerged at Y5.67. No comparable figures are available.

Textiles plan for Rhone-Poulenc

BY DAVID WHITE

PARIS, July 21.

THE DRASTIC re-thinking already applied to the textile sector at Rhone-Poulenc, France's number one chemicals concern, is now being applied to plastics.

M. Jean Gandois, the managing director brought into the recession-hit group from the steel industry, announced plans designed to wipe out the sector's pre-tax loss in three years' time.

Rhone-Poulenc's polymers division, with a turnover of FFr 2.5bn ($555m), showed a loss of FFr 120m ($27m) last year and this is expected to reach FFr 150m in the current year.

The reorganisation involves stricter selectivity among product ranges, savings on research, and a greater concentration on the group's European export markets.

Rhone-Poulenc will concentrate on a few products in which it is already solidly established, in particular PVC, for which it holds down 37 per cent of the French market. Overall in the plastics business, Rhone-Poulenc supplies about one-eighth of the French market and 3 per cent of the European market.

At the same time, the company will study the extent to which it can shut down some of its smaller plastics operations.

Rhone-Poulenc has earmarked Fr 100m a year over the next few years for its plastics reorganisation plan, just under a third of the amount it set aside from last year's earnings for restructuring its biggest loss-maker, textiles.

Between now and 1981, the 3,000 people involved in its polymers division will be cut down by 800, by premature retirement and other measures but without mass redundancies.

Despite the prospect of increased losses in plastics this year, M. Gandois, number two to M. Renaud Gillet, the chairman, came out against the kind of concentrated European plan which has been drawn up for textiles. He said it would be dangerous to enter into a "dirigiste" policy for the sector. It would make it impossible to conserve efficient competition.

Reorganisation in the textile sector has also involved Rhone-Poulenc in a drastic selection process. At the end of last year it announced plans which would eventually mean closing down manufacturing operations at five sites in France in order to concentrate investment on nylon and polyester.

The group recorded a profit of FFr 84m on a consolidated basis last year after a FFr 364m loss in 1976. The result took into account earnings of FFr 258m from the sale of shareholdings, but the company can claim it as evidence that reorganisation is succeeding. In 1975 its consolidated loss had been FFr. 941m as turnover fell by FFr 3bn to FFr 17bn. Its consolidated turnover last year was FFr 23bn.

Jardine approval

Minority shareholders in Jardine Industries have approved the scheme of arrangement whereby Jardine Industries will become a wholly-owned subsidiary of Jardine Matheson and Co., Anthony Rowley reports from Hong Kong. Votes in favour of the scheme were received from 76 shareholders, representing 3,422,649 shares and two shareholders representing 5,000 shares voted against it. The scheme is expected to become effective on August 1.

WORLD STOCK MARKETS

Wall St. sustains loss of 6.4

INVESTMENT DOLLAR PREMIUM
$2.60 to £1—107¼% (108¼%)
Effective $1.9110—52¾% (52½%)

MORE UPWARD PRESSURE on interest rates and some dollar weakness caused an easier tendency on Wall Street yesterday in reduced although still active trading.

The Dow Jones Industrial Average declined 5.20 to 833.42 for a loss on the week of 6.41. The NYSE All Common Index receded 16 cents to $54.91, although this left a gain of 9 cents on the week. Losses led rises by 859 to 570, while volume came to 26.08m shares, against Thursday's 33.34m.

Money market analysts said dollar pressure came from worries about U.S. inflation and balance of payments, and reports that OPEC may index oil prices to a basket of currencies rather than the dollar.

Gold shares, however, were strong on a rise in Bullion prices and the dollar's weakness. Dome Mines rose $5 to $82½ and Campbell Redlake 1⅞ to $37⅞.

Standard Oil of Indiana added $1 at $50⅝ after reporting a major natural gas discovery in Wyoming.

THE AMERICAN SE Market Value Index rose afresh by 0.30 to 151.84, but losses on the exchange outpaced gains by 312 to 275. Volume 4.14m shares (4.26m).

Canada

Markets made further headway in another heavy trade. The Toronto Composite Index gained 3.4 more to 1,181.9, while Golds surged ahead by 85.3 to 1,560.3 on index. Metals and Minerals rose 9.0 to 989.2 and Papers 1.61 to 123.02, but Banks contrasted with a reaction of 1.62 to 283.48.

Paris

Bourse prices further strengthened across a broad front, with the market's Industrial index rising 1.2 to a new 1978 high of 73.1.

Spurring the market ahead was the publication of an optimistic outlook for the French economy in the second half of this year by the National Statistics Institute, and also a wage agreement signed in recent days by French labour unions representing metal workers.

Nearly all sectors were ahead at the close, with Banks and Oils leading the way. Sharply higher were BCT, Roussel-Uclaf, La Henin, Peugeot-Citroen, Generale de Fonderie, Printemps, Thomson-Brandt, L'Oreal, Cie Petroles, Carrefour and BSN Gervais Danone.

Germany

The market continued to show a firm bias in spite of further profit-taking, and the Commerzbank index added 3.8 more to reach a new peak for the year of 814.0, making a rise over the week of 20.2.

Motors rose strongly again, Daimler advancing DM5.20 and BMW DM 3.50, but KHD, in Engineerings, came back DM 3.00, while Deutsche Bank lost DM2.00.

Public Authority Bonds shed up to 45 pfennigs more. The Regulating Authorities purchased a nominal DM47.1m of paper (DM220.3m).

Australia

Stock prices were predominantly firmer in fairly active trading.

Industrial leader BHP advanced to A$7.64 in response to the good annual results, before slipping back to A$7.50 for a net gain of 8 cents.

Uraniums gained ground on news of the signing of a uranium safeguard agreement with Finland and a restatement by the French of their likely uranium requirements for the 1980s. Pancontinental rose 30 cents to A$14.80.

A sharp upturn in the price of gold in London and New York overnight and some small improvements in the prices of base metals on the London metals exchange helped the Mining leaders to improve.

Tokyo

With profit-takers holding the upper-hand in a very active trading session, shares were inclined to lose ground. The Nikkei-Dow Jones Average reacted 21.19 to 5,614.25. Volume 410m shares.

FRIDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Revlon	647,800	49⅞	−⅞
Rowan	420,200	23	−1⅛
Allegheny Airlines	275,400	11⅛	−⅛
ASA	252,400	24⅞	−1⅛
Texaco	243,700	26⅝	+1
K Mart	243,000	25⅜	—
British Petroleum	232,300	16⅞	+⅛
Continental Oil	225,200	28	−⅞
Sears Roebuck	200,900	23⅞	−⅛
Brunswick	191,700	15⅛	+⅛

SINGAPORE

July 21	$	July 21	$
Industrials		StraitsTrad'g	‡9.40
Boris	0.66	Times Pub. Berhad	5.16
Boustead Co.	1.86	U. Engineers	1.52
Boustead Bhd	2.54	U. Ov's Bk.	5.16
Dunlop	‡4.20	Wearnes	2.32
Esso	3.54	Tractors	‡4.56
Fraser Neave	5.45	Chemical	‡1.65
Haw Par	1.48	Wilim Jacks.	1.4
Hume Ind.	1.85	**Rubbers**	
Inchcape	2.00	Batu Lintang	1.90
Malay Brew.	‡5.70	Dunlp Estate	4.26
Malay Cemt.	‡2.98	Kempas	3.96
Met. Bx Sing.	2.82		
Ov's Chin. Bk.	8.30		
Pan Electric	1.83	**Tins**	
Robinson Co.	2.64	Austral. Am.	‡4.40
Rothman	4.52	Berjuntai	‡1.55
Shell	‡2.70	Kampar	‡5.10
Sime Darby	3.16	Kuchai	—
Cold Storage	2.32	Lower Perak	—
Straits Steam	2.96	Petaling Tin	‡9.40
Straits Times (1975) Ltd.	‡6.60	Supreme Cp.	1.18
		Tongkah Har.	‡2.75m

Indices

NEW YORK—DOW JONES

	July 21	July 20	July 19	July 18	July 17	July 14	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
Industrial	833.42	838.62	840.70	829.00	839.06	839.83	866.51 (6/6)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds*	87.20	87.10	87.20	87.15	87.00	86.94	90.88 (4/1)	86.74 (11/7)	—	—
Transport	228.95	229.30	229.89	225.82	227.60	225.46	251.55 (6/6)	199.31 (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	106.07	105.28	106.28	106.19	106.28	105.85	110.98 (4/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. (000's)	26,095	33,340	30,850	22,860	29,180	28,370	—	—	—	—

* Basis of Index changed from August 24

	July 14	July 7	June 30	(Year ago approx.)
Ind. div. yield %	5.56	5.75	5.71	4.87

STANDARD AND POORS

	July 21	July 20	July 19	July 18	July 17	July 14	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡ Industrials	108.04	108.50	108.44	106.98	108.06	107.90	110.89 (6/6)	95.52 (6/3)	134.64 (11/1/73)	3.52 (30/6/32)
§ Composite	97.75	98.03	98.12	96.87	97.76	97.56	100.32 (6/6)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	July 12	July 5	June	Year ago (approx.)
Ind. div. yield %	5.07	5.18	5.11	4.43
Ind. P/E Ratio	9.12	8.95	9.04	10.12
Long Gov. Bond Yield	8.69	8.62	8.57	7.59

N.Y.S.E. ALL COMMON

July 21	July 20	July 19	July 18	1978 High	1978 Low
54.91	55.07	55.10	54.45	56.20 (6/6)	48.37 (6/3)

Rises and Falls

	July 21	July 20	July 19
Issues traded	1,872	1,888	1,871
Rises	570	815	991
Falls	859	654	448
Unchanged	443	419	432
New Highs	43	93	74
New Lows	12	7	9

		July 21	July 20	July 19	July 18	1978 High	1978 Low
MONTREAL	Industrial	190.04	189.51	188.65	187.82	190.04 (21/7)	162.20 (16/2)
	Combined	198.82	198.47	196.92	196.69	198.82 (21/7)	170.82 (30/1)
TORONTO	Composite	1181.9	1178.5	1170.5	1166.2	1181.9 (21/7)	998.2 (30/1)
JOHANNESBURG	Gold	252.5	246.5	259.8	257.0	252.5 (21/7)	185.0 (20/4)
	Industrial	252.2	252.0	252.0	252.2	252.4 (17/7)	194.9 (15/3)

	July 21	Previous	1978 High	1978 Low
Australia(§)	503.81	500.50	504.42 (17/7)	441.19 (1/3)
Belgium (‖)	(c)	98.27	101.16 (6/6)	90.45 (23/3)
Denmark(**)	96.34	96.38	96.15 (9/1)	94.00 (6/2)
France (††)	73.1	71.9	73.1 (21/7)	47.3 (6/2)
Germany(‡‡)	814.0	810.2	814.0 (21/7)	759.4 (17/2)
Holland (§§)	84.4	84.2	88.0 (9/6)	76.0 (4/4)
Hong Kong (¶¶)	567.04	564.94	582.67 (6/7)	383.44 (13/1)
Italy (‖‖)	62.66	61.75	64.54 (19/7)	50.40 (10/1)
Japan (a)	425.34	425.39	425.81 (19/7)	364.04 (4/10)
Singapore (b)	347.90	347.65	360.31 (10/7)	262.0 (1/6)
Spain (d)	102.73	104.04	[illegible] (4/5)	[illegible] (11/3)
Sweden (e)	387.07	387.22	391.86 (5/5)	[illegible] (3/1)
Switzerl'd(f)	281.2	281.7	336.22 (25/6)	219.0 [illegible]

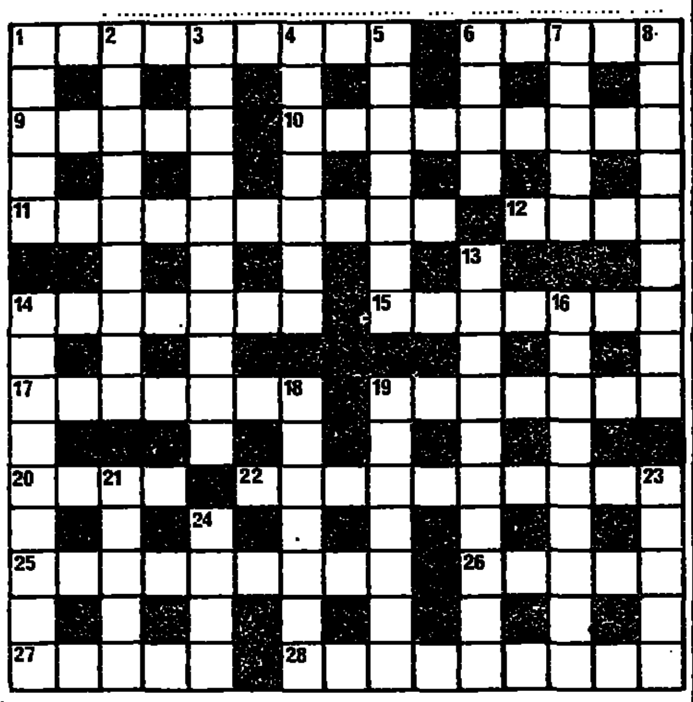
Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300—1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec., 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Milan 2/1/73. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 30/12/77. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

F.T. CROSSWORD PUZZLE No. 3,725

A prize of £5 will be given to each of the senders of the first three correct solutions opened. Solutions must be received by next Thursday, marked Crossword in the top left-hand corner of the envelope, and addressed to the Financial Times, 10, Cannon Street, London, EC4P 4BY. Winners and solution will be given next Saturday.

Name ....

Address ....



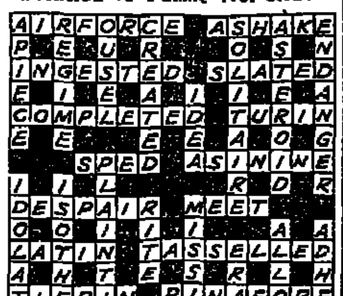
ACROSS

1 Split archer's accounts (4, 5)
6 Fanatical artist on offer (5)
9 Scared to return it to centre (5)
10 Indifference of a French business (9)
11 Fishing aid for cricket practice halfway up stairs (7, 3)
12 Beastly shed ascribed to engineers (4)
14 Chucker-out at lively ball (7)
15 Die during month free from pain (7)
17 Regularly found close to drunken mice (7)
19 Foreign country's girl (7)
20 Thrill taking off at the beginning (4)
22 Taken away to be executed (7, 3)
25 Free benefit given to the talented (9)
26 Neat observer of flower (5)
27 Correspond with 6'6" youth leader (5)
28 One would back poet as a pharmacist (9)

DOWN

1 Add a pound to the lot (5)
2 Demon curl changes ends for a fruit spread (5, 4)
3 Ample means for orderly to enter (4, 6)
4 Idler put on gruel oddly enough (7)
5 Do well to take the title (7)
6 Row in style (4)
7 Well-built though full of complaints? (5)
8 Studies oriental loch in Scotland out of stupidity (9)
13 Just make it to save house (6, 4)
14 Chance won't run to a meal (9)
16 Short cane broken by recluses (9)
18 Irritable nipper put to rest (7)
19 Surgical instrument to make by an afterthought (7)
21 Credit given to boring bit of slow movement (5)
23 West-end chap entitled to 5 belonging to them (5)
24 Kill student in express (4)

Solution to Puzzle No. 3,724



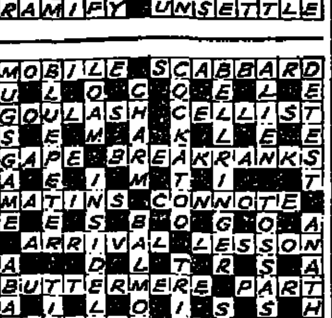
SOLUTION AND WINNERS OF PUZZLE No. 3,719

Following are winners of last Saturday's prize puzzle:

Mr. F. Astley, 21a Lindfield Gardens, London NW3 6PX.

Mr. J. S. Barber, 9 Tyne Road, Oakham, Rutland, Leics., LE15 6SJ.

Mr. R. W. Pudsey, Quarry Meadow, Storridge, Malvern, Worcs.



RACING — BY DOMINIC WIGAN

Acamas has speed to win for France

IN SPITE of the absence of the dual Derby winner, Shirley Heights, and those top-class older horses, Alleged and Crow, this afternoon's renewal of the King George VI and Queen Elizabeth Diamond Stakes could again provide the race of the season.

Fourteen have stood their ground for the De Beers prize (which with £123,000 added to stakes is the richest purse ever run for at Ascot), including five from France, two from Ireland and one from the U.S.

Although the home team, made up of Balmerano, Dunfermline, Silver Lad, Hawaiian Sound, Ile de Bourbon and Sea Boat, is clearly not without a chance of keeping the prize in this country, it will come as a surprise to me—and clearly a shock to many Frenchmen—if Acamas is held.

This Mill Reef colt racing in the orange and grey colours registered by Marcel Boussac in 1918—but, apparently, now the property of the Aga Khan, to whom Boussac has sold virtually his entire racing stock—will be bidding to boost the reputation of Europe's current Classic generation.

Although this season's crop of middle-distance three-year-olds in both Britain and France has been dismissed as second rate by many I believe that Acamas could prove the exception. The Guy Bonaventure trained bay had to overcome all sorts of difficulties when initially bought, and then carried wide in the Prix du Jockey-Club (in which he finally came through with an outstanding turn of foot to get up and land the spoils). It is clearly the manner of that victory rather than a strict interpretation of the form which augurs so well for him.

If as his French Derby running suggests, Acamas is not only a handy and very determined sort but also one with a blistering turn of finishing speed, Yves St-Martin should be able to hold him up and deliver the coup de grace wherever he feels it is necessary.

For anyone looking for an outsider with more than a forlorn win and place prospect Montcontour is suggested. The Maurice Zilber trained four-year-old—rated a better colt than Empery by his handler—has run disappointingly at Saint-Cloud since lifting the Hardwicke, but is reported back in fine fettle.

In the Princess Margaret Stakes 45 minutes before the big race Ring Lady, a bay filly by Thatch out of the Vilmorin mare, Circus, could follow up a fluent Chester win by outpacing the Queen's Strathspey while further north both Disco Volante and Philodantes appeal as worthwhile propositions. The first-named goes for Ayr's Roman Warrier Shield; while Philodantes runs in Newmarket's Fen Ditton Stakes.

ASCOT
2.00 Stradey Park
2.35 Ring Lady***
3.20 Acamas
3.55 Taj Almidan
4.25 Peerless Prince
5.00 Greenhill God

AYR
2.00 Lucent
2.30 Beethoven
3.00 Disco Volante**
4.00 Atlantic Venture

NEWMARKET
3.00 Philodantes*
4.00 Mixed Applause
4.30 Jacenitor

NEWCASTLE
2.45 Caro Bambino

SPAIN ♥

July 21	Per cent.	
Asland	138	+2
Banco Bilbao	300	−6
Banco Central	309	−6
Banco Exterior	275	—
Banco General	284	—
Banco Granada (1,000)	150	—
Banco Hispano	237	−3
Banco Ind. Cat. (1,000)	164	−3
B. Ind. Mediterraneo	206	—
Banco Popular	245	−6
Banco Santander (250)	385	−7
Banco Urquijo (1,000)	258	−5
Banco Vizcaya	241	−6
Banco Zaragozano	273	−4
Bankunion	152	—
Banus Andalucia	205	—
Babcock Wilcox	29	—
CIC	82	—
Dragados	288	−5
Inmobanif	72	−3
E. I. Aragonesas	53	—
Espanola Zinc	102	—
Expl. Rio Tinto	88.50	−0.50
Fecsa (1,000)	64.50	−2
Fenosa (1,000)	70.75	—
Gal. Preciados	75	—
Grupo Velazquez (400)	168	+3
Hidrola	77	−2
Iberduero	81.50	−3.50
Olarra	115	−5
Papeleras Reunidas	70	—
Petroliber	117	—
Petroleos	205	−3
Sarrio Papalera	52	—
Sniace	49	—
Sodefisa	124	—
Telefonica	87	+0.50
Torras Hostench	95	—
Tubacex	99	—
Union Elec.	65.25	−1.25

BRAZIL

July 21	Price Cruz	+ or −	Cruz Div.	Yld. %
Acesita OP	1.04	−0.01	[illegible]	11.53
Banco do Brazil	1.91	[illegible]	[illegible]	8.90
Banco Itau PN	1.63	[illegible]	0.27	27.61
Belgo Mineira OP	1.83	−0.05	[illegible]	4.37
Lojas Amer. OP	3.45	[illegible]	[illegible]	5.79
Petrobras PP	3.27	−0.05	[illegible]	3.97
Pirelli	1.47	[illegible]	[illegible]	10.8
Souza Cruz OP	2.88	[illegible]	[illegible]	8.07
Unip PE	6.65	[illegible]	[illegible]	4.42
Vale Rio Doce PP	1.28	[illegible]	[illegible]	14.06

Turnover: Cr.143.7m. Volume 71.6m
Source: Rio de Janeiro SE.

NOTES: Overseas prices exclude $ premium. Belgian dividends are after withholding tax.

◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ⊕ Frs.500 denom. unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. ‡ Price at time of suspension. a Florins. b Schillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs, including Unilac div. p Nom. q Share split. s Div. and yield exclude special payment. t Indicated div. u Unofficial trading. v Minority holders only. y Merger pending. * Asked. † Bid. § Traded. ‡ Seller. z Assumed. xr Ex rights. xd Ex dividend. xc Ex scrip issue. xa Ex all. ▲ Interim since increased.

NEW YORK

[illegible]

CANADA

[illegible]

GERMANY ◆

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

SWITZERLAND ⊕

[illegible]

PARIS

[illegible]

STOCKHOLM

[illegible]

AMSTERDAM

[illegible]

COPENHAGEN ♣

[illegible]

MILAN

[illegible]

OSLO

[illegible]

AUSTRALIA

[illegible]

TOKYO ¶

[illegible]

Source Nikko Securities, Tokyo

VIENNA

[illegible]

JOHANNESBURG

MINES

[illegible]

INDUSTRIALS

[illegible]

Securities Rand U.S.$0.69¼
(Discount of 39.8%)

FINANCIAL TIMES REPORT

Saturday July 22 1978

Investment Services

A confusing range of alternatives

IN THE DAYS *of my misspent* youth—which is to say, about seven years *ago—I worked* rather briefly for a legal magazine; and I remember the *editor* there agitating himself mightily at the way in which solicitors were permitting the provision of financial services to be filched from beneath their very noses. Time was, he said, when the family solicitor would be called in for advice on anything from alimony to insurance: from tax avoidance to the tactics to be used *in* cutting Tommy off without a shilling. Nowadays, he said, the accountants have moved in; and worse *than the* accountants, the insurance brokers; and even *worse than that,* the independent investment advisors. *Against such echelons of* expertise, he said, what chance *had the poor, hard-pressed* family solicitor, struggling to *stay simultaneously in touch* with all the latest developments in *tort,* conveyancing *and* probate: and the more so as the wretched chap—ah, and this was gall and wormwood to him!—never seemed to get around to reading the cribs the journal carefully prepared for him.

These were, if anything, prophetic words. It isn't that solicitors have stopped providing financial services: far from it. But the range of alternatives is now so wide as to be completely confusing to the man of property, never mind the innocent abroad. To whom should the former turn should he wish to discuss the nuances of capital transfer tax? To a tax lawyer? An accountant? His stockbroker? His bank *manager? Or should he* approach his friendly local in*surance broker instead, in the* hope that he will have some ingenious *scheme for* circumventing the depredations of the Revenue? *As for* the innocent abroad, he is likely to find himself faced with exactly the same dilemma, be it for nothing more complex than an attempt to get a mortgage when building society money is in short supply.

The question, which financial services are required, really begs another: whether any be required at all. At what point is it advisable to call in the experts? The answer, for most people at any rate, is going to *lie in the* starting point taken by two of the clearing banks—*Barclays and Midland*—who have recently introduced a "*financial doctor*" service under which their clients can, *for a fee, obtain a general* check-up on their financial dis*positions. Both argue* that the need for such a check-up depends, *not* so much on the size of the assets or the size of the income involved, as on the arrival, or impending arrival, of a change of circumstances. And indeed, this is reasonable enough. It isn't because you have £5,000 in the bank that you need advice on where else to invest it: it's because you have now decided that it should be invested elsewhere. It isn't because you enjoy a comfortable income in your late 40s that you need the services of a pensions consultant: it's because you can see a time approaching when you will enjoy that income no longer. Of course some financial services are provided on a continuing *basis: most stockbrokers, for* example, will give short shrift *to anyone who wanders in off* the street with £1,000 available *for a flutter. But even the* stockbroker depends on a change in circumstances to justify his fees.

It may be *perfectly possible* for you to cope with the financial effects of a change in circumstances for yourself. In that case, a decision to call for financial services of one kind or another is analogous to a decision to call in the *decorators*: you could do the job yourself, but it will be messy, time-consuming and in all prob*ability tedious, and it is worth* paying the professionals to have *it taken off your hands.*

There are, however, some *jobs where you must use the* professionals. You can't deal *directly in the stock* market on your own account: you can make the investment decisions, but you will have to pay a stockbroker to do the buying and selling on your account. There's nothing to prevent you from accomplishing your own conveyancing, or writing your own will: but both procedures are beset with pitfalls for the unwary, and unless you've time to spend on meticulous detail, it's almost certainly more efficient to pay someone else to do it for you. There's nothing to prevent you from buying insurance, or indeed, assurance, on your own account either: but if you've motives more complex than the simple provision of protection, you could almost certainly do with impartial advice.

As to tax, opinions vary widely as to whether the Inland *Revenue is or is not swayed by* the presentation of professional accounts. Time was when the fact that you had found it neces*sary to employ* an accountant at all would have been a matter for suspicion in itself: but the tax affairs of any other than those individuals on PAYE are now so complex that that prejudice now seems to have disappeared. What is certain, however, is that the presentation of a set of accounts, however beautiful, from a firm of accountants on whom the Revenue has cause to look with *less than an impartial respect,* will do you no good whatsoever. *So it is worth going to the* trouble to hunt out a local firm *with a good reputation for deal*ing with tax, even though it may *cost you more* than the bucket shop round the corner.

The question of the cost of financial services is peculiarly vexed. This is for two reasons. In the first place they do not come cheap. This is a lucrative business: if it were not there would not be so many people so anxious to get into it. In the second place, in some cases they are obvious, and in some cases they are not. The bill from an accountant or solicitor is explicit enough: all too painfully explicit in most cases. But fees for stockbrokers and/or *investment advisors,* while generally spelt out, tend to get *swallowed up in the totality of* the funds committed.

And as for insurance brokers, for all that the client sees of their charges, they might well live on air. But nothing comes for nothing in this world. The charges are there all right, as anyone who has had occasion to cash a policy in early knows to his cost.

Charges

How much will financial services cost? It is almost impossible to give a useful guide, because charges will vary so much with the area of the country and the degree of expertise required. But as a very rough indication, the *services* of the common or garden solicitor or *accountant, not too high flown,* and not in near the middle of *London, might set you back by* £10 an hour. That might sound like a monstrous sum to you, but remember: the man is quite possibly self-employed, which means that he has to provide his own pension, holiday and sickness benefits out of that; and in addition, a part of the money will go to cover his overheads.

In any case, counting the cost in absolute terms is not the way to go about weighing the value of financial services. You ought to look at the amount that you stand to make (or to save) instead. If you are paying an accountant £40 to extract £400 from the Revenue that you would not have known how to start asking for yourself, you are doing well from the deal. By the same token, if a stockbroker takes £200 in commission from you, and makes you £2,000—or even prevents you from losing £2,000—you have no cause to grumble.

This isn't necessarily to say, however, that you should simply cough up and be thankful. In the first place it's eminently *reasonable for you to ask for* estimates, where charges are *likely to vary,* and compare one against the other. This is something which the British tend to be diffident about doing: but there's really no reason why an accountant, or an investment advisor, should expect to survive the winds of financial competition, any more than a builder or a central heating salesman. Obviously there's no point in doing it in some cases. Insurance brokers' commission is set by the firms whose products they sell, not by you *(though insurance brokers* who are very friendly with their *clients have been known to split* it). Unless you deal in vast *amounts of money,* you won't be able to beat your stockbroker down—though you might, if you take him (or her) out to lunch occasionally, receive a rather better service. But the charges of solicitors, accountants and investment advisors all vary: and there isn't much sense in you paying twice as much for the same service at one end of the road as you might have had it for at the other.

That said, however, these are most emphatically not the sort of services that you should buy on cost alone. It's just too easy to lose a lot of money by cutting that particular corner. What is the best guide? Well, you need to check up that the advisor you are thinking of employing is a member of the relevant professional organisation. But of itself that doesn't necessarily mean much more than that you might have an additional stick to beat him (or her) with when things go wrong. And that's a situation you'd presumably rather not attain at all. For the best chance of avoiding it, you want to go by word of mouth. There is no better recommendation than a satisfied consumer.

Adrienne Gleeson

Looking after your nest-egg

HOW MUCH is a fortune these days? You can quickly run through £10,000, and £100,000 would not get you very far if you were househunting in the more elegant parts of London. You could settle for £1m as still a reasonable measure of riches. But in fact all these sums, and intermediate figures, represent the sum of worldly weath for different people. Not surprisingly, there is an availability of investment services and advice across a wide spectrum of portfolio values for those who have been fortunate enough to acquire a nest-egg.

Finding the right advice for the right person, however, is not always easy. Traditionally, investment know-how has been passed on by talkative neighbours at cocktail parties, by harassed bank managers and by that local stockbroker who put Aunt Mabel into Marks and Spencer in 1949. Nowadays, however, the neighbours will be boasting about tax fiddles rather than investment prowess, the bank manager will do little more than hand out glossy leaflets, and that little broker is quite likely to have shut up shop or merged.

One thing is certain: good, competent, professional advice costs money. The time of an experienced adviser comes expensive, especially with VAT added, and investors should never be reluctant to pay a fair price. At the same time, they should be careful to find out exactly what they are paying, in one form or another, for the services being provided.

A characteristic of the investment field is that fees often take the form of charges or commissions which are not always fully apparent to the uninitiated. Unit trust management companies make part of their profits out of the difference between bid and offer prices of units, merchant banks are liable to share in broking commissions on portfolios under management, and insurance brokers may make larger commissions on one type of policy than on another.

Of course, nobody should be surprised that specialist advisers will tend to be biased in one direction or another. An insurance broker will no doubt come up with a stream of life assurance packages, bank managers will have a kind word to say in favour of the relevant clearing bank trust company, and stockbrokers will sing the praises of stock market investment.

Nevertheless it is possible to get impartial, no strings advice—for smaller sums, perhaps, from family advisers like solicitors and accountants, ranging up for larger sums to bank trust companies and to the specialist financial planning companies, of which Noble Lowndes and Anthony Gibbs are two of the best known.

Such advice will depend on the size of the sum involved, and on many other factors such as family circumstances and the age of the investor. This being Britain in the 1970s, a major part of any discussions will centre around taxation aspects, whether of income tax, capital gains tax or capital transfer tax.

As for the range of possible investments, the variations are enormous. There are conventional stock market investments—shares and fixed interest securities, notably gilt-edged—*which can be bought either* directly or through unit schemes (some of which offer tax advantages because of life *assurance cover*).

Then there are shorter-term *investments in almost unlimited* variety: building society shares, *national savings, local authority* deposits and bank deposits, to name *just a few.* Slightly out of the main stream come investment property, commodities, and Krugerrands and other coins. Of more specialised interest, for those with a taste which they are keen to develop further, are stamps, books, jewellery, antiques, and of course, fine art generally. It is possible to collect almost anything, though such assets are highly speculative and are often expensive to house and insure.

Tastes

But special tastes and interests apart, it can be assumed *that the core of most* people's wealth will be held as *some kind of stock market port*folio. The range here is from *unit funds* at the lower end of the scale, through medium sized *portfolios* usually managed by brokers or specialists advisers on a *discretionary* basis, up to the top of the scale where very *large portfolios* are *managed by* the blue blooded merchant banks.

The minimum level at which *a portfolio can be expected to* get reasonably individual management *is probably around* £25,000. Portfolios smaller than this will not necessarily be turned away by advisers, but a more basic level of service will be inevitable and the investor is *likely to find himself in unit* trusts rather than in direct investments.

Above £25,000 the choices widen. There are a number of specialist portfolio management firms which deal specifically with private (as opposed to institutional) investors, and these charge on a scale related to the size of portfolio.

Then there are the stockbroking firms. Sometimes brokers still deal on a personal basis with individual clients, but the big business in this field is increasingly done by firms which have set up large scale computerised operations so that they can handle thousands of accounts economically. It is, though, important to be clear at the start whether a stockbroking facility or a management facility is required.

Usually, discretionary powers are requested by the portfolio managers, but it is often possible to build in some flexibility. As for charges, these may appear to be low or even nonexistent (with perhaps a charge for overheads related to the number of holdings) but, of course, nothing is free and the brokers take their rewards in the form of commissions on dealings. Investors will therefore need to keep an eye open in case their portfolios are being too enthusiastically churned over.

Ultimately the performance of the portfolio must provide the *justification* for the charges paid—though the investor must not forget that he is being spared, with a discretionary account, the day to day drudgery of dealing with proxy cards, rights issues, takeovers and the other complications that go with being a shareholder.

Moving up the *size* range, above £50,000 the banks begin to become more economical: charges are often 0.5-0.8 per cent *a year for smaller sums,* perhaps with an extra charge *per transaction, though there* are many variations on the theme. Above £100,000, however, a reducing scale tends to apply—or indeed, charges may be a matter for negotiation.

This is the size range where the famous merchant banks of *the city of London become* prominent. The total of funds under *management by* the accepting houses is probably of the order of £10bn, though only quite a small part of this will represent the portfolios of private clients.

Whether their prestige and reputation is fully reflected in *the performance of the funds in* their care, or whether the *mystique is only reflected in* high fees, is something that *cannot easily* be assessed by outsiders.

Such banks, however, are certainly in a position to offer a service which goes well beyond the UK stock market. These days, after all, private investors are keenly interested in overseas stock markets, especially in the U.S. and the Far East, and require their advisers to provide foreign exchange expertise as an essential back-up.

Barry Riley

Choosing a tax accountant

IT IS probably true to say that *most people with more* than one source of income ought to have the benefit of professional advice although this may not seem like a very equitable tax system. For the average person that means getting the services of an accountant, but many people prefer to have their tax affairs dealt with by a clearing bank trust company, while others use their solicitor.

The reason an accountant ought to be considered is because accountants in public practice are the country's main tax practitioners, something which is common to many countries around the world. The reason for the average person not doing the job himself is not only that he is unlikely to be sufficiently familiar with the tax legislation—simply, there is a great body of tax practice which is not in the books. This can only be gained by peope such as accountants who are regularly dealing with the Inland Revenue.

So how should a person go about getting an accountant? Typical accounting firms exist, like solicitors, in little offices up and down the High Street, down cul de sacs and in rooms over travel agencies. There are something like 9,000 such firms in total in the United Kingdom. *These range from international* accounting giants like Price Waterhouse, Coopers and Lybrand, Deloitte Haskins and Sells, and Peat Marwick Mitchell to one man firms. Accounting firms come in all shapes and sizes, but for the person seeking personal tax advice it *is arguable that he will be better* off with a small company rather than a 20-partner practice with prestige offices in the City.

Accountants in public practice will generally be chartered accountants — members of the English, Scottish or Irish Institutes of Chartered Accountants — but there is also a relatively small number of firms of certified accountants—members of the Association of Certified Accountants. Apart from this main body of the practising profession there is a fair number of firms which operate under the designation of "Accountants," or "Accountants and Auditors." But the tax acountants considered in this article will generally belong to the chartered or certified species.

Traditional wisdom has it that the best way of choosing an accountant is to get a recom*mendation from a friend,* and indeed this is borne out by the fact that personal referrals constitute the largest single source of new clients for accounting concerns. Another way is through a recommendation from a bank manager or solicitor. Alternatively, the Institute of Chartered Accountants in England and Wales, based in London, or the Institute of Chartered Accountants of Scotland, *based in* Edinburgh, will be happy to provide the telephone number of the local district society, *which in turn* will be able to supply a list of companies in a particular area or may even be willing to suggest one specialising in a certain type of tax work.

Having identified a tax accountant, the next question is how much is he going to charge. This is probably the most difficult question an accountant has to answer to a new client. Traditionally, he will say his fee will depend on the time he has to spend on the work and point out that this is impossible to estimate accurately.

Typical

But if pressed the accountant ought to tell what his charging out rates are. To obtain some idea I asked the London Society of Chartered Accountants to pick out a few typical small accounting companies where *the practice included a fair* share of personal tax work. One of these was the Beckenham office of the 13-partner firm. Everett Pinto and Co., another a two-partner practice in Finchley Road, Newton Zane and Co. Charging out rates at the first of these concerns were £16 to £23 an hour for a partner, £12 for a manager and maybe £8 per hour for a capable clerk who has not yet qualified. At Newton Zane the rates are a little different, with figures of £15 to £20 an hour per partner being quoted, running as low as £6 an hour for a semi-senior clerk.

While most accounting firms stick to charging out rates like these in deciding what fee to *bill a client, they will often* make adjustments for special reasons. Sometimes an accountant will judge that a new *client's* work may have cost more than he considers it is worth to the client, and will reduce his bill — hoping to recoup something the next time. In the nature of *things perhaps* the other possibility—where the accountant decides to charge more than his standard charge out rates—is more common. Typical examples include cases where the accountant has had to displace other work to do a "rush job," where he has got *the client out of* trouble with the Inland Revenue or where his advice has saved the client a lot of money. Here accountants will tend to load their normal rates, and it is up to the individual to ask what he is to be charged in advance. As a rule of thumb, however, most accountants will not want many clients bringing in fees of less than £100 a year.

It is probably true to say that many people will not bother to *go to an accountant until they* hit trouble from the Inland Revenue. Typically, the small businessman has paid up esti*mated tax* assessments for his first few years, reckoning that if anything they are understating his profits. Then out of the blue he gets a much bigger tax demand, ignores it, and suddenly finds the Collector of Taxes knocking on his door. The Inland Revenue is only too pleased when an *accountant* steps in to sort out the mess. Perhaps this is where the notion of the accountant "getting his *client off tax*" comes from.

But it is not just the self-employed, or those with both employed (Schedule E) and *self-employed* (Schedule D Case 1 and 2) income who seek the advice of accountants. People with rental income, dividends or interest received in addition to their main source of income often find professional advice worthwhile. It may seem unfortunate, but one char*tered accountant* claims that an increasing number of people are overpaying basic PAYE since the introduction of the unified tax system. This can happen if the Inland Revenue has not sent out a return form, or where a person's circumstances change and he omits to inform his tax inspector. It is not a bad rule to keep a close eye on your tax code, asking for it to be adjusted every time allowable deductions like higher mortgage *interest or eligible* bank interest payments or life assurance policies are taken on.

Two final points are worth bearing in mind. First, accountants say many people get in trouble with the Revenue because they try to be clever by understating or omitting to disclose a source of income. Such people, they say, generally tend to credit the Inland Revenue men with much less intelligence than they *have. "They do not* realise the Revenue has a comprehensive information collection system, ranging from indexing everything that appears in the papers to checking out files at Companies House," says Mr. Clements, a partner in Everett Pinto. Nor may they be aware of the Revenue's *new approach* to dealing with small businesses. Essentially this boils down to accepting *with little query most* accounts and returns, and hitting hard at the few where income is suspected to have been understated.

The final point is the matters of tax specialists, be they accountants, solicitors or barristers. Most people will not need their services. Others will only need them occasionally. Apart from a few areas such as Lloyds underwriters, authors and perhaps the entertainment business —where it is best to seek the services of a firm specialising in such tax affairs—generally there is no special need to go *outside the typical local firm of* chartered accountants. If a one-off knotty problem crops up, the local tax accountant has access to the best brains in the business—for a fee. If he is not capable of realising when his client needs such advice he deserves to lose him.

Michael Lafferty

Effects of Capital Transfer Tax

FOR THOSE who have made or acquired large *fortunes life* might seem less fraught with worries than for ordinary mortals. However, new — and larger—problems arise for them. First, how to keep their assets from the grasp of the taxman and secondly, how to give them away during their lifetime or pass them on at death, again giving as little support as possible to central government funds.

Until the recent introduction of Capital Transfer Tax, lifetime gifts did not fall within the taxman's net unless made *within seven years of death.* Thus the only tax payable on transfers of assets, apart from any capital gains liability which might arise on the transaction, was estate duty. This did not unduly worry most people who felt that planning for estate duty could quite safely be left *until late middle age.* Large estates that would have received punitive blows from an untimely death were frequently tied up in trusts so that duty would be avoided anyway.

However, now that a person's tax history starts at birth (or March 26, 1974, the date at which the tax became effective) and continues until their death, it is necessary to start planning disposals as soon as the wherewithal becomes available, as otherwise valuable exemptions will be lost. For instance, the annual exemption of £2,000 per person plus any number of gifts of £100 to separate individuals, only rolls for one year and is then lost for ever. For a married couple it is possible to transfer over £4,000 of capital free of tax each year which will, of course, build up to quite a substantial sum over a period. If no advantage is taken of exemptions, the tax will start after the first £25,000 of transfer has been made.

Marriage, too, represents an opportunity for large savings. £5,000 free of tax can be given by each parent, £2,500 by each grandparent or great grandparent and £1,000 by *other* people. Again timing is important—a large gift made on marriage being much more efficient than a gift split, say, *half on marriage* and *half* on the birth of a child. Marriage also leads to one of the most important exemptions, in that transfers between spouses, whether during life or on death, are completely tax free as long as the receiving spouse is domiciled in this country. *Here again it should be noted* that if a couple are buying a house jointly before marriage with money provided substantially by just one of them this will be a taxable transfer unless it is made by way of a loan, which can be forgiven without giving rise to any tax con*sequences when the couple are* married. Care should also be taken when making gifts, to choose among them. A gift of an asset might be less sensible than a gift of money as such a transfer might give rise to a capital gains liability as well as one to CTT. It should *be remembered that although* the rate of CTT on transfers after death is higher than that on lifetime transfers, there will on that occasion be no Capital Gains Tax liability. It is always as well to give away assets likely to rise in value, rather than those that have already *reached their peak. Thus there* will be no rise in the value of the donor's estate, causing a possible future liability, and *tax on the transfer* will be minimised as well. The order in which gifts are made can also change the incidence of taxation. And attention should be given to the question of who is to pay the tax. For instance a gift of £5,000 liable to be taxed at a rate of 50 per *cent* will be grossed up and treated as a gift of £10,000, tax paid, if the donor pays the tax; and he will be liable for the extra £5,000. However, if the recipient pays the tax on the gift it will not be so grossed up and he will only be liable for £2,500. Whoever *pays* the tax, it will be determined by the rate applying to the top slice of the donor's cumulative total of transfers. If the person receiving the money makes himself liable for the tax he should ask his benefactor what the rate applying to it will be. Again he should *do this even* where the donor pays the tax if there seems any likelihood of his dying within three years as in this situation the person receiving the money will then be liable to pay the excess between lifetime and deathtime rates.

All this might seem quite *complicated, although bearing* a few rules in mind it should be relatively easy for anyone to reduce their own liability. If, however, someone feels he needs a professional adviser to draw up plans, to whom should he turn? With the growth in taxation and the constant churning out of new legislation, the tax avoidance industry has grown to meet the challenge. Lawyers, accountants and insurance brokers all appear in opposing ranks against the Chancellor. Solicitors had a virtual monopoly on estate duty planning, but now that CTT has become a matter for everyday tax planning, rather than a once-and-for-all exercise, it has to a great extent fallen within the accountants' ambit. In fact, in this area both solicitors and accountants are *giving advice* on the same types of problems, so which to consult is a matter of personal preference. Insurance brokers, too, will give advice on the best ways of minimising liability through the use of different types of policy—possibly using the annual exemptions to pay the premiums on a policy owned by someone one wishes to benefit, or to fund liability for a possible excess falling on the receiver due to the three-year claw-back on death.

Exemption

It is, of course, possible to leave one's estate entirely free of tax. The most important *exemption here is* that on transfers between spouses. However, the taxman also looks kindly on charitable and philanthropic bequests, as he does on those to political parties.

Trusts as a tax avoidance device have been severely hit by CTT. Disposals both into and out of trusts are subject to a charge to CTT and the discretionary trust, which used to be a very popular device, is subject to a periodic charge *where no distribution has been* made, so that no tax will be saved by keeping the fund intact. There are exceptions to this, such as the accumulation trust, which is an ideal way of providing for a young family if a trust is to be used. Otherwise, where there is a specific *beneficiary the trust is ignored* and he is treated for CTT purposes as the owner of the whole fund, which will be taxed at his marginal rate, if he transfers his interest, or could be added to his estate for the purposes of assessing the rate applicable to it on his death.

However, despite this disadvantage trusts will still be used, for example, where it is wished that someone has the *use of the money, but it is con*sidered undesirable that they should have control over the capital, or where money is left to be used for a particular purpose. Trusts can be set up during lifetime or at death by a simple declaration of trust, or, more usually, by executing *a trust instrument. It should* be remembered that once property has been put into trust the settler has no further power over the property although he can, of course, be one of the trustees.

Helen Whitford

Protecting the employee

LOOKING AFTER the welfare of employees is a responsibility that has become increasingly complicated over the years as a result of Government legislation, union pressure and changing social attitudes. Specific legislation has put pressure on *companies in such fields as pen*sions and employment protection, while changes in taxation laws, for example, have led companies to seek ways of benefiting in particular their more highly paid senior employees in ways which will not exacerbate their tax burden. At the same time, union pressure has led employers to introduce more generous pensions schemes to cover a broader range of employee than hitherto.

All this places a considerable burden on employers and they are consequently found to be casting about for advice on how best to handle the situation. Such advice is not in short supply. Rather the reverse, there being a whole host of different sources, such as clearing banks, *insurance companies,* management consultants, tax specialists and benefit specialists. In fact, employees may well have more difficulty in selecting which advice to accept than in seeking it.

It is obvious that to provide for the welfare of employees *will* cost money. And this will have to be met either from current working capital or from a mixture of working capital and funded investment revenue. It is worth first looking briefly at the demands of some recent legislation which requires funding largely from cash flow. This is because any employer seeking to do his best for his employees needs to be aware of his total commitment.

Thus, for example, the Employment Protection Act provides that employees who lose pay because of short-time working or lay-offs will be entitled to guaranteed payments for a limited period. Also, any employee suspended from work following examination by an employment medical adviser is entitled to normal wages for *up to a maximum 26 weeks.*

For women, there are safeguards in cases of pregnancy. They may not be dismissed for this reason, are entitled to be paid for the first six weeks of absence and can return to their job at any time up to 29 weeks after their baby is born. Employees can also be *entitled to* time off for union duties, public duties and to look for work if they are being made redundant.

These are just the bare outlines of what this piece of legislation requires, but are sufficient to make it clear how im*portant it is for an employer* to understand the full implications of employment legislation in financial terms. The Department of Employment is naturally the major source of information on how this legislation in detail affects a company and produces a whole range of *literature to explain it.*

Undoubtedly the key product in the armoury of benefits which employers make available is the pension, and for advice on how best to set up a scheme and what it will cost there are a wide range of sources. To get a broad outline of the *situation* as it now stands following the coming into effect this year of provisions of the Social Security Pensions Act 1975 an employer could get a range of pamphlets from his local Department of Health and Social Security Office. This would explain in broad outline *how pensions* have become two-tiered, giving employees the right to a basic pension, together with a supplementary pension either from the State or from a company's own occupational pension scheme.

For more detailed information there is the Company Pensions Information Centre. Here, employers will get a detailed explanation of what the pensions Act entails, what the position of women employees is, and, for example, what must be done if an employee leaves the company's service. However, the Centre will not (and it *stresses this very strongly)* advise on pensions schemes and where different types are available. It is purely an information bureau.

For advice on what type of schemes may be best suited to a particular company, how much they will cost and which em*ployees* can be brought into a scheme the employer could go to his clearing bank or to an insurance company. National Westminster, for example, has a subsidiary (Natwest Insurance Services) which says it can give advice right across the board and provide quotations free of charge. Pensions may be provided for an individual or for a group of people, while the cost to the employer will vary *enormously, depending on the* shape of the scheme.

Factors influencing the final cost include whether the employee pays any contribution to his pension scheme, or whether the total cost is borne by the employer. The average age of the employees is also taken into account, since it becomes more expensive as the average age goes up. Equally, pensions cost a company more if there is a high *proportion of women* employees, since they retire

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Providing against disaster in the family

IT IS a weighty matter, to be the mainstay of a family. Maybe not as weighty now as it was once, when the wage earner and Christian charity might be all that stood between his (or her) dependants and destitution: but weighty enough. It isn't simply that there are the obligations to feed and clothe and house and school: there are also the obligations to provide against disaster. The financial services business has a role to play in the provision of housing and schooling; but it is above all in provision against disaster that the industry comes into its own. Particularly this is the case in the provision of life assurance.

Anyone who has dependants needs to provide them with some form of protection against the financial consequences of his (or her) untimely death. But this is, unfortunately but understandably, a line of reasoning which does not in general recommend itself to the mainstays of families: and this is why life assurance is sold when it really should be bought.

Upon the shoulders of the brokers who sell it there has, over the years, been laid a burden of mistrust for which relatively few of them have been responsible: and the profession in general is now doing its best to shift it by tightening up on its professional practices. However, it should be borne in mind that any insurance broker makes his living by selling policies. If he is good they will be policies entirely appropriate to the needs of his clients: but caveat emptor is as appropriate here as elsewhere.

Or perhaps more so: for a mistake, once made, in the purchase of life assurance, is not a mistake that is readily corrected. At the moment, in fact, it can only be corrected at a loss—the loss of all, or of a part, of the premiums paid (though there are some life assurance companies which already operate on a voluntary basis the cooling off period proposed for the industry in general: if the client pulls out within the first 10 days, he may do so without financial loss). All too often it takes months, sometimes even years, for the man who has bought the wrong assurance policy to admit that a mistake has been made: and at least initially, the more he pays in premiums the greater the loss he stands to carry.

So the onus is very definitely on the would-be buyer of life assurance, to make certain that he is sold the right policy for his requirements in the first place. There are two questions that he needs to ask—ask himself, not his broker. In the first place, how much would his dependants need, for how long, to maintain their standard of living more or less at the level to which they have become accustomed? And in the second, what form of policy will best provide it?

Arriving at an answer to the first is a matter of mathematical calculation. How much would be required to cover the major liability with which your dependants are likely to be left, the mortgage? How much would be required to cover the income gap that is certain to emerge, between state benefits—and a widow's pension from your company scheme, if any—and your own gross income; and for how long will it be required? (Essentially, for how long will the children be dependent?) And finally, how much would be required (or, more to the point at this stage, how much can you afford) to provide a buffer against the effects of continuing inflation?

Arriving at the second is by no means so straightforward. Essentially there are two forms of insurance required: one which will provide your dependants with an income until they are old enough to fend for themselves, and another which will provide them with a lump sum at your death—to pay off the mortgage and any other debts, and to provide against the future effects of inflation. Deciding on the provision of the first is simple enough: what you need is a policy providing family income benefit. Deciding on the provision of the second, however, is likely to give you headaches.

You can arrange for the provision of a lump sum at your death, very simply, and very cheaply, by taking out term assurance. That way, however, neither you nor your dependants see your premiums again, or any other return thereon, unless you do die within the period of the policy. You can provide for the provision of a lump sum on year death, less cheaply, by taking out whole life assurance. That way your dependants will see the money sooner or later, but when depends entirely on your staying power. You yourself will never have any benefit from it other than peace of mind: on the other hand that peace of mind should be not inconsiderable, for you can obtain cover all through your life at the same premium, and assuming that you have taken out a with-profits policy in the first place, the benefits will rise. Finally, you can go in for one of the arrangements which provide you yourself with a lump sum at a given age, an endowment policy: effectively, you are putting your money into a savings scheme dressed up as life assurance for the sake of the tax relief. This one comes expensive.

Which you choose will depend upon your personal circumstances: but it is essential not to be pushed into spending more than you can afford now for the sake of the visions of wealth over the horizon. A good broker will not push you too hard—and you should be wary of anyone who pushes. A good broker will simply wait a year or so and then come back to suggest that you top up once your finances are easier.

If, however, providing for disaster on a big scale ought to be a first priority for the mainstay of the family, providing for disaster on a small scale should by no means be neglected. It will not help you unduly to have an excellent range of life assurance policies (though you can probably borrow against them) if your car is written off as it stands inoffensively along the kerb one night, or if your house is flooded and the contents ruined in a pipe burst. Relative to the amounts to be spent on life assurance, neither form of insurance will cost very much: but—particularly in the less well-developed, and therefore less competitive market for the insurance of house contents—it is remarkable to what extent premiums can vary from firm to firm. It is very definitely worth while to shop around—or to find a broker to do it for you.

Life assurance apart, however, the financial services business really comes into its own in the provision—or the accumulation—of the large capital sums required to house and school a family. In housing, under normal circumstances, the role of brokers, bank managers and the like is entirely subsidiary to that of the building societies. But should the circumstances be at all unusual—should building society money be tight, for instance, or should the loan required be well above the ordinary—then access to a good insurance broker can save a very great deal of money, time and exasperation. Access to — or rather, access from—a bad insurance broker can simply be a pain. If he isn't coming up with the goods, then cut him off and try elsewhere: it's a competitive profession, after all.

Putting together the large amounts required to school a family privately is a rather different matter. It is—extraordinary though it may seem, given the way in which the cost of private education has shot up—an expanding field: but the number of firms with real expertise in financial planning specifically to this end is very limited. School Fees Insurance Agency and C. Howard are best established in the field: Towry Law and Leslie and Godwin are also relatively active: but in all probability most large insurance brokers will be able to suggest a scheme, or combination of schemes, which will suit your particular mix of capital and income.

Adrienne Gleeson

Planning for retirement

A LEADING insurance group used to run an advertisement based on a series of photographs showing the business executive at the various stages of his career. First he was the bright young star given an opportunity to join a new outfit. "They tell me the job is not pensionable," was the caption.

The last picture, needless to say, was of a grey haired, worried looking man over the caption: "I really don't know how we will manage without a pension."

Such an approach on the part of the pensions industry would seem almost unbelievably naive today, when no reputable company would try to recruit staff without providing pension cover. But the pictures did tell one story that remains valid. And that is that it is better to think about pensions a long time before they are needed. There are many options open to the employee or entrepeneur who reaches retirement age and takes a long cool look at the company pension scheme. But nothing replaces the same long, cool look when taken 20 years earlier.

Companies and individuals will have endured several months of sustained barrage of statistics prior to the introduction of the new State pension scheme earlier this year. Decisions over contracting in or contracting out of the scheme will have been made and there may seem little point in reopening the discussion for those now on the threshold of retirement. But certain points in the State scheme should be noted by those approaching retirement.

One snag is that the new scheme gives no credit for back service before April, 1978, when it comes to calculating benefit. Thus, if you have only seven years ahead before retirement, then only seven years' contributions will apply to you—and never mind the 20-odd years of National Insurance contributions paid since the days when "security from the cradle to the grave" was on everyone's lips.

Where the State scheme is concerned, the prospective pensioner is left to work out for himself, or herself, the precise amount of extra pension involved.

For those facing imminent retirement, it can simply be said that the extra pension is going to be very small indeed—under £4.00 a week for anyone earning the national average of £80.00 a week while at work.

Many companies chose to contract out of the State scheme for this very reason—it enabled them to give a better deal to their older employees. But if the prospective pensioner is a member of a "contracted in" company scheme then his only resource is to arrange with his company to adjust his pension up to the limits agreed by the Inland Revenue. In fact, some form of "topping up" is virtually essential for senior employees and most company pension officers can suggest a number of variations.

But if the company cannot or will not respond to pleas from the near retired, then he is left to his own devices. In his predicament he will find that present tax policies lean heavily on him, and will be well advised to consult an investment adviser.

The most obvious method may be to purchase an annuity from a life company. The immediate benefit from such a plan is that it relieves the mind of the dread of outliving ones capital. The disadvantage is that annuity payments are fixed in monetary terms, leaving the pensioner at the mercy of inflation.

It may be said in passing that the self-employed have one strong advantage over other prospective pensioners where annuities are concerned. That is that they can usually choose the date of retirement with a good deal more freedom than those who find that some long forgotten date when employment commenced now becomes the unavoidable day on which full time employment must cease. The self-employed, if he has taken out an annuity policy, can try to take his annuity when interest rates are high.

Many life companies now provide an option under which the investor can cash in part of his policy at one stage and the rest later on when more favourable circumstances apply. But it is hard to see how these companies can advise the investor to act against the company's interest, so decisions of timing should be discussed with an independent consultant — a broker, company pension analyst or the like.

The question of buying an annuity or making some other form of investment as a means of topping up an inadequate pension pinpoints another disappointing feature of the State earnings related scheme. It makes no provision for a cash payment in addition to a pension on retirement.

Such a cash payment, of course, answers many other needs than that of annuity investment. Retirement is often a time for altering the structure of family life, by moving to live in the county, or by converting the old family home into flats. It can be regarded as a time to give a final present to children now grown up and coping with small children of their own. Or it may simply be a time for an extended cruise or holiday, to be taken at the leisurely pace that was never possible before.

For all these reasons, the private pensioner has need of the cash alternatives which are usually available.

Some schemes, mainly in the public service, have written in provision for a cash payment on retirement, and the prospective pensioner is usually well aware of the details applying in his particular case.

This option is based upon years of service and offers a maximum pension of one half of final annual salary and a lump sum of one and-a-half times final salary.

But the choice, at retirement date, of commuting a portion of the pension into a cash payment, is another animal altogether and well worth considering from a number of angles.

It may be said in passing that services from the Armed Services are the only ones which offer their pensioners a combination of both options—that is to say a cash payment and pension on retirement plus the right to commute part of the payment for further cash. This double option is operated under a special Act of Parliament and does not apply to civilians whose commutation rights are limited by the Inland Revenue.

When commutation principles are applied, a point worth bearing in mind is that maximum commutation is based upon 20 years membership of the pension scheme, so that it is not necessary to have achieved maximum pension rights which are usually based on 40 years membership. Maximum pension, under commutation, is two-thirds of final salary and the sum payment is $1\frac{1}{2}$ times maximum salary.

The usual commutation formula is that of nine units of cash payment for every one annual unit of pension surrendered. A pensioner electing to give up £100 of his annual pension would receive £900 in cash.

One minor anomaly is that the Revenue will in fact allow commutation on the basis of normal mortality tables even if this shows a more favourable basis than the nine to one formula. But this is one of those finer points which tend to be overlooked unless the pensioner himself urges his pension manager to examine the figures.

It may be said here that personal health, often a pre-occupation with the nearly retired, has no significance when it comes to commutation—at least not in the civilian sector. The case of the Armed Service pensioner is another matter.

The question of personal health becomes of growing significance as age progresses, and the prospective pensioner sometimes faces problems specifically his own. If his company have been paying or helping towards the cost of a personal private health scheme, he may fear the prospect of losing such cover at a time in life when it is more than ever important.

Terry Byland

Employee

CONTINUED FROM PREVIOUS PAGE

earlier and tend to live longer.

Then there is a choice of death in service cover—varying amounts of lump sum may be payable to a widow on the death of a male employee and the subsequent pension is also variable. Legal and General Assurance Company, which has a major involvement in administration of pensions, points out that any company starting up a pension scheme will need to have it tailored to its particular circumstances. And, of course, with companies now having decided already whether they are "contracted in" or "out" of the State scheme the smaller company in particular—which is most likely contracted out—will still have the option as it grows to top up pensions for employees with a funded private scheme.

But pensions is only part of the scene. Private health schemes, although a taxable item for a number of years (the tax being payable on the value of the benefit), are another example of how employers can improve the welfare of employees. And here perhaps one of the best known companies is British United Provident Association (BUPA). Simple health insurance is also available from insurance companies to cover sickness and injury, although insurance schemes to cover employees for permanent disability by way of lump sum payment and some form of pension are not yet widely used, in contrast to the U.S. and Sweden.

In terms of other fringe benefits, assistance with the cost of private schooling is still an option despite this also having been caught in the Chancellor's net so that the value of the benefit is now taxable. Most insurance companies and the major banks can give advice.

It is almost impossible to generalise about how much a package of benefits will cost a company. As an indication, it is estimated (but on a very general basis) that a pension scheme will cost an employer between 10 per cent and 12 per cent of the total salary bill, but that would ignore other types of insurance and fringe benefits mentioned.

Nicholas Leslie

This week's SE dealings

Friday, July 21	4,428	Wednesday, July 19	4,383	Monday, July 17	4,321
Thursday, July 20	4,367	Tuesday, July 18	4,757	Friday, July 14	4,172

The list below records all yesterday's markings and also the latest markings during the week of any share not dealt in yesterday. The latter can be distinguished by the date (in parentheses).

The number of dealings marked in each section follows the name of the section. Unless otherwise denoted shares are £1 fully paid and stock £100 fully paid. Stock Exchange securities are quoted in pounds and fractions of pounds or in pence and fractions of pence.

The list below gives the prices at which bargains done by members of The Stock Exchange have been recorded in The Stock Exchange Daily Official List. Members are not obliged to mark bargains, except in special cases, and the list cannot, therefore, be regarded as a complete record of prices at which business has been done. Bargains are recorded in the Official List up to 2.15 p.m. only, but later transactions can be included in the following day's Official List. No indication is available as to whether a bargain represents a sale or purchase by members of the public. Markings are not necessarily in order of execution, and only one bargain in any one security at any one price is recorded.

‡ Bargains at Special Prices. Δ Bargains done with or between non-members. ◆ Bargains done previous day. § Bargains done with members of a recognised Stock Exchange. ✠ Bargains done for delayed delivery or "no buying-in". $A—$Australian. $B—$Bahamian. $C—$Canadian. $HK—$Hong Kong. $J—$Jamaican. $Ma—$Malayan. $Mo—Mexican. $NZ—$New Zealand. $S—$Singapore. $US—$United States. $WI—$West Indian.

BRITISH FUNDS (707)

[illegible]

CORPORATIONS (36)

FREE OF STAMP DUTY

[illegible]

SHORT DATED BONDS FREE OF STAMP DUTY

[illegible]

PUBLIC BOARDS (17)

FREE OF STAMP DUTY

[illegible]

COMMONWEALTH GOVTS. (9)

REGISTERED AND INSCRIBED STOCKS

[illegible]

FOREIGN STOCKS (2)

COUPONS PAYABLE IN LONDON

[illegible]

STERLING FOREIGN CURRENCY BONDS

[illegible]

FOREIGN RAILWAYS (1)

[illegible]

UK RAILWAYS (4)

[illegible]

BANKS (166)

[illegible]

Jessel, Toynbee New (25p) 56 (20/7)
Keyser Ullmann Hldgs. (25p) 52◆ 1
King Shaxson (20p) 56◆
Kleinwort, Benson, Lonsdale (25p) 97◆ (20/7)
Lloyds Bank 272◆ 5◆ 4◆ 3 2 70 ...
Lombard North Central 5pcPf. 37 (20/7)
Mercury (25p) 109◆ 8◆ 10 11

[illegible]

BREWERIES (136)

[illegible]

CANALS AND DOCKS (2)

[illegible]

COMMERCIAL (2,453)

A—B

[illegible]

Berwick Timpo (25p) 55
Bestobell (25p) 156 (20/7). 6¼pcDb. 62◆
Bestwood (15p) 145 (20/7)
Bevan (D. F.) (Hldgs.) (5p) 16½ (18/7)
Bibby (J.) 230◆ 2◆ (20/7). 10¼pcDb. 79◆
Bifurcated Eng. (25p) 46½ 5½ (17/7)
Bird (Africa) (25p) 15

[illegible]

C—D

[illegible]

Desoutter Bros. (25p) 139 (15/7). 5.25pcPf. 53½ (19/7)
Dewhurst Part. (10p) 15½ 16½. A.Non.V (10p) 15½ (20/7)
Dewhurst Dent (20p) 17½ 17 (19/7)
Diamond Stylus (10p) 24 (20/7)
Dickinson Robinson Grp. (25p) 118 20 19. 7¼pcLn. 66◆
Diploma Inv. (25p) 175 4 (20/7)
Dixon (D.) Son Hldgs. (25p) 75◆

[illegible]

E—F

[illegible]

G—H

[illegible]

I—J—K

(Non-Vot.) 29 (20/7)
Imasco A 23¼ (20/7)
Imperial Chemicals 379◆ 82 ...
Imperial Group (25p) 79◆ ...
Inco Class A 12
Industrial Newspapers 5pcPf. 40

[illegible]

L—M

[illegible]

N—O—P

[illegible]

Pauls and Whites (25p) 112◆ 12
Peak Invsts. (10p) 9½◆
Pearson Longman (25p) 185 (19/7). 5½pc Ln. 50 (19/7). 6¾pcLn. 56½ (19/7)

Q—R—S

[illegible]

T—U—V

[illegible]

Tenneco 10pcLn. 151
Tern-Consulate (25p) 61 (17/7)
Tesco Stores (Hldgs.) (5p) 44 5 ... 4½ 6
Tex Abrasives (10p) 68◆ 9½ 70

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Barnsley Metro. (0226 203232)	11	½-year	250	5-7
Knowsley (051 5486555)	11⅞	½-year	1,000	5-7
Poole (02013 5151)	10⅞	*½-year*	500	5
Poole (02013 5151)	11½	½-year	500	6-7
Redbridge (01-478 3020)	11	½-year	200	5-7
Thurrock (0375 5122)	11½	½-year	300	4
Thurrock (0375 5122)	11	½-year	300	3

BUILDING SOCIETY RATES

	Deposit Rate	Share Accnts.	Sub'pn Shares	*Term Shares
Abbey National	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs.
Aid to Thrift	7.00%	7.50%	—	—
Alliance	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., 6.95% 1 yr.
Anglia Hastings & Thanet	6.45%	6.70%	7.95%	7.70% 3-4 yrs., 7.20% 2 yrs., 6.95% 1 yr.
Birmingham Incorp.	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., 6.95% 1 yr.
Bradford and Bingley	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., min. £200
Bridgewater	6.45%	6.70%	8.50%	7.90% 2½ yrs., 7.45% 2 yrs.
Bristol and West	6.45%	6.70%	7.95%	—
Bristol Economic	6.45%	6.70%	7.95%	6.95% 3 months' notice
Britannia	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., min. £500
Burnley	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs.
Cardiff	6.45%	7.25%	8.25%	—
Catholic	5.00%	●5.60%	6.75%	— ● 5.80% over £5,000
Chelsea	6.45%	6.70%	7.95%	7.45% min. £500 6 months' notice
Cheltenham & Gloucester	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs. (£500-£15,000)
Citizens Regency	6.45%	7.05%	8.25%	8.30% 3 yrs., min. £5,000
City of London	6.70%	7.00%	7.95%	7.92% 3 yrs. increment share—min. £500
Coventry Economic	6.45%	6.70%	7.95%	7.70% 3 yrs. min., 7.20% 3 mths.' notice
Coventry Provident	6.45%	6.70%	8.70%	7.95% 3 yrs., 6.95% 2 yrs.
Derbyshire	6.45%	6.70%	7.20%	— up to 7.2% 3 months' notice
Gateway	6.45%	6.70%	7.95%	7.70% 3yrs., 7.20% 2yrs., min.£500-£15,000
Guardian	6.45%	6.95%	7.20%	7.65% 3 months' notice, £1,000 min.
Halifax	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs.
Heart of England	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 3 months' notice
Hearts of Oak & Enfield	6.45%	6.95%	8.45%	8.20% 4 yrs., 7.95% 3 yrs., 7.70% 2 yrs.
Hendon	6.70%	7.20%	—	7.70% 6 months
Huddersfield & Bradford	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs.
Leamington Spa	6.55%	6.80%	8.95%	7.55% 2 yrs., 8.25% 1 yr.
Leeds Permanent	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., min. £1,000
Leicester	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., 6.95% 6 mths.
Liverpool	6.45%	6.70%	8.15%	7.80% 3 yrs., 7.30% 2 yrs., min. £1,000
London Goldhawk	6.45%	6.95%	8.20%	—
Melton Mowbray	6.55%	6.80%	7.95%	7.55% 2 yrs., min. £2,000
Midshires	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., min. £250
Mornington	6.50%	7.50%	—	—
National Counties	6.70%	7.00%	8.00%	7.45% 3 months, min. £1,000
Nationwide	6.45%	6.70%	7.95%	7.70% 3-4 yrs., 7.20% 2 yrs., min. £500
Newcastle Permanent	6.12%	6.70%	8.00%	8.00% 3 yrs., 7.20% 2 yrs.
New Cross	7.25%	7.50%	—	—
Northern Rock	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.20% 2 yrs., min. £100
Norwich	6.45%	6.70%	8.20%	7.70% 3 yrs., 7.45% 2 yrs., min. £500
Paisley	5.25%	5.50%	6.75%	6.50% 3 yrs., 6.00% 2 yrs., min. £500
Peckham Mutual	6.75%	7.25%	—	—
Portman	6.45%	6.70%	7.95%	7.70% 3 yrs., 7.45% ½-yrly., 6.95% 3 mths.
Principality Buildg. Society	6.45%	6.70%	7.95%	7.20% 2 yrs., minimum £500
Progressive	6.70%	6.95%	7.95%	7.95% 3yrs., 7.70% 2yrs., 7.45% 3mths.not.
Property Owners	6.45%	7.20%	8.45%	7.65% 3 mths. not., 5.70% to limited cos.
Provincial	6.45%	6.70%	7.95%	7.70% 3-4 yrs., 7.20% 2 yrs.
Skipton	6.45%	6.70%	7.95%	7.70% 3yrs., 7.20% 2yrs., 6.95% 3mths.not.
Sussex Mutual	6.45%	7.00%	8.75%	8.05% 3 yrs., 7.75% 2 yrs., 7.50% 1 yr.
Town and Country	6.45%	6.70%	♣10.00%	7.70% 3 yrs., 7.20% 2 yrs. ♣ Max. £250
Woolwich	6.45%	6.70%	7.95%	7.20% 2 yrs., 7.70% 3 yrs.

* Rates normally variable in line with changes in ordinary share rates.

Currency, Money and Gold Markets

UK MONEY MARKET

Bill rate eases

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

The Treasury bill rate fell by 0.0016 per cent to 9.2430 per cent at yesterday's tender and the minimum accepted bid was unchanged at £97.69½. Bids at that level were met as to about 93 per cent against 89 per cent last week. The £300m bills tendered and allotted attracted bids of £545.42m and all bills offered were allotted. Next week a further £300m will be on offer replacing maturities of £500m.

Day to day credit was once again in short supply and the authorities alleviated the shortage by lending a moderate amount to eight or nine houses at MLR, for repayment on Monday and a similar amount for repayment on Wednesday and further moderate loans to Thursday. In addition they bought a large amount of Treasury bills, a small number of local authority bills and a very large amount of eligible bank bills. Both lending and buying were on exceptional scales and part of the bills are for resale to the market at a fixed future date.

The market was faced with a substantial Treasury bill take-up and a sizeable net revenue payment. There was also an increase in the note circulation as well as the repayment of Thursday's large official advances and an extremely large amount from Tuesday. On the other hand Banks brought forward balances well above target. Total assistance was slightly overdone and discount houses were taking closing balances at 6 per cent in places.

EXCHANGES AND GOLD

Gold continued to rise in the London bullion market and closed $2¾ an ounce firmer at $191¾-192¼, its best closing level since December 30, 1974. Yesterday's performance was very much a continuing trend and the generally good demand was prompted by a further weakening of the dollar amid concern over the U.S. economy.

Activity in the foreign exchange market centred mainly on the strong performance of sterling and the Swiss franc. There was a good demand for the pound which opened against the dollar at $1.9035-1.9045 and touched $1.9175-1.9185 at one point. Rates tended to see-saw during the afternoon and although sterling finished below its best level it still recorded a 70 point gain at $1.9105-1.9115. On Bank of England figures, the pound's trade weighted index improved to 62.7 from 62.5 on Thursday.

The Swiss franc was sharply firmer and reached $1.7800 at one stage before easing slightly to its best ever closing level of SwFr1.7915 compared with SwFr 1.8040 on Thursday.

The dollar finished slightly above its worst levels but still seemed to be suffering from a general lack of confidence. The West German mark improved to DM2.0530 from DM2.0580 on Thursday. Using Morgan Guaranty figures at noon in New York, the dollar's trade weighted average depreciation widened to 8.0 per cent from 7.9 per cent.

THE POUND SPOT

July 21	Bank rate %	Day's Spread	Close
U.S. $	7¼	*1.9035-1.9185	1.9105-1.9115
Canadian $	8½	2.1380-2.1500	2.1475-2.1485
Guilder	4	4.22½-4.26½	4.25½-4.26½
Belgian Fr.	6½	61.65-62.10	61.75-61.90
Danish Kr.	-	10.64½-10.70	10.67½-10.68½
D-Mark	3	3.91-3.94½	3.92-3.93
Port. Esc.	18	86.60-87.60	86.80-87.20
Span. Pes.	8	147.80-148.50	148.00-148.10
Lira	11½	1,609-1,618	1,614-1,615
Nwgn. Kr.	7	10.28-10.36	10.30½-10.31½
French Fr.	9½	8.44½-8.50½	8.46-8.47
Swedish Kr.	6½	8.64-8.70	8.67-8.68
Yen	4½	382-392	385½-386½
Austria Sch.	4½	28.20-28.40	28.20-28.30
Swiss Fr.	1	3.41½-3.45	3.42-3.43

Belgian rate is for convertible francs. Financial franc 62.50-62.60. * Rate for £/U.S. $ on July 20—1.8930-1.9045 (spread) and 1.9035-1.9045 (close).

OTHER MARKETS

July 21	£	$		£ Notes Rate
Argentina Peso	1.528-1.532	799.58-801.67	Austria	27¼-28¼
Australia Dollar	1.6583-1.6685	0.8708-0.8719	Belgium	61½-65
Finland Markka	8.025-8.045	4.1990-4.2010	Denmark	10.55-10.70
Brazil Cruzeiro	33.88-34.88	17.75-18.25	France	8.35-8.50
Greece Drachma	68.618-70.301	35.90-36.80	Germany	3.80-3.95
Hong Kong Dollar	8.8950-8.9175	4.6570-4.6590	Italy	1580-1610
Iran Rial	131-137	68.55-71.70	Japan	380-390
Kuwait Dinar (KD)	0.515-0.525	0.2694-0.2747	Netherland	4.10-4.25
Luxembourg Franc	61.75-61.85	32.31-32.33	Norway	10.15-10.30
Malaysia Dollar	4.5175-4.5300	2.5625-2.5645	Portugal	81-87
New Zealand Dollar	1.8289-1.8389	0.9600-0.9625	Spain	1,435-1,465
Saudi Arabia Riyal	6.48-6.58	3.39-3.44	Switzerland	3.35-3.50
Singapore Dollar	4.4000-4.4125	2.3040-2.3050	United States	1.88-89½
South African Rand	1.6480-1.6651	0.8625-0.8715	Yugoslavia	34-36

Rate given for Argentina is free rate.

GOLD

	July 21	July 20
Gold Bullion (a fine ounce)		
Close	$191¾-192¼	$188¾-188¾
Opening	$190½-191½	$187¾-188
Morning fixing	$190.75 (£99.921)	$187.40 (£98.881)
Afternoon fixing	$191.75 (£100.256)	$188.40 (£99.362)
Gold Coins domestically		
Krugerrand	$200-202 (£104½-105½)	$195½-197½ (£102½-103½)
New Sovereigns	$56¾-58¾ (£29½-30½)	$56-58 (£29½-30½)
Old Sovereigns	$56-58 (£29¼-30½)	$55-57 (£29-30)
Gold Coins internationally		
Krugerrand	$197-199 (£103-104)	$194½-196½ (£102-103)
New Sovereigns	$55-57 (£28¾-29¾)	$56-58 (£29¼-30¼)
Old Sovereigns	$56-58 (£29¼-30¼)	$54-56 (£28¼-29¼)
$20 Eagles	$276-280	$277½-280
$10 Eagles	$141-144	$140-145
$5 Eagles	$101-104	$100-105

LONDON MONEY RATES

July 21 1978	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ф	Eligible Bank Bills ф	Fine Trade Bills ф
Overnight	—	6-14½		—	—	11⅝	6-10	—	—	—
2 days notice	—	—	11-12	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	12	—	—	—	—
7 days notice	—	11-12¼	11-12	—	11½-11⅝	—	9½-10	—	—	—
One month	10⅝-10½	10¾-11⅛	10¾-11	11¼-10⅞	10¾-11⅛	11½	9¾	9⅞-9⅝	10⅛-10¼	10¾
Two months	10⅝-10⅝	10⅝-10⅞	—	10½-10¼	10½-11⅛	—	9⅝	9¾-9⅝	10⅛	10⅝
Three months	10⅜-10¼	10½-10⅝	10¼-10½	9⅞-9⅝	10⅝-11¼	11⅝	9⅞	9⅞-9⅞	10	10½
Six months	10⅜-10⅛	10⅝-10⅞	10⅛-10⅛	9⅞-9⅝	10½-11⅛	—	—	—	9⅞-10	10½
Nine months	10⅜-10⅞	10⅝-10⅞	—	10¼-10	11⅛	—	—	—	—	—
One year	10⅜-10⅛	10⅜-10⅞	10¼-10½	10½-10	11⅛	—	—	—	—	—
Two years	—	—	11-11⅛	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. * Longer-term local authority mortgage rate nominally three years 11½-11⅝ per cent; four years 12-12⅛ per cent; five years 12-12⅛ per cent. ф Bank bill rates in table are buying rate for prime paper. Buying rates for four-month bank bills 9 15/16-10 per cent; four-month trade bills 10⅝ per cent.

Approximate selling rates for one-month Treasury bills 9 1/16-9 5/32 per cent; two-month 9⅛ per cent; and three-month 9 3/16-9⅛ per cent. Approximate selling rate for one-month bank bills 9¾ per cent; and two-month 9 13/16-9⅞ per cent; and three-month 9 27/32-9⅞ per cent. One-month trade bills 10⅜ per cent; two-month 10⅜ per cent; and also three-month 10⅜ per cent.

Finance House Base Rates (published by the Finance Houses Association) 10 per cent from July 1, 1978. **Clearing Bank Deposit Rates** (for small sums at seven days' notice) 6½-7 per cent. **Clearing Bank Base Rates for lending** 10 per cent. **Treasury Bills:** Average tender rates of discount 9.2430 per cent.

CURRENCY RATES

July 21	Special Drawing Rights	European Unit of Account
Sterling	0.653183	0.662414
U.S. dollar	1.20882	1.25433
Canadian dollar	1.40392	1.41043
Austrian schilling	18.0257	18.6403
Belgian franc	—	40.7757
Danish krone	6.96403	7.04247
Deutsche Mark	2.56558	2.58762
Guilder	2.77238	2.79166
French franc	5.54039	5.56381
Lira	1055.81	1062.57
Yen	252.262	253.423
Norwegian krone	6.75928	6.79596
Peseta	96.7236	97.3924
Swedish krone	5.67339	5.70290
Swiss franc	2.24101	2.27804

EURO-CURRENCY INTEREST RATES*

July 21	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	N.A.	7¼-8¼	7¾-8	4⅛-4½	1¾-2	3 3/16-3 5/16	7⅝-7⅞	10-14	—	—
7 days notice	N.A.	7¼-8¼	7⅞-8⅛	4 5/16-4 9/16	3⅛-3⅜	3 5/16-3 7/16	7⅝-7⅞	10⅛-11½	7 15/16-8 1/16	2⅛-2⅜
Month	11⅝-12⅛	7¾-8½	8½-8¾	4 5/16-4 7/16	2 1/16-2 3/16	3 7/16-3 9/16	8⅞-9⅛	11½-12½	8 3/16-8 5/16	2⅛-2½
Three months	11¼-11¾	8⅛-8½	8 11/16-8 15/16	5⅜-5⅝	2 1/16-2 3/16	3 9/16-3 11/16	9⅝-9⅞	12½-13½	8 11/16-8 13/16	2 3/16-2 7/16
Six months	11⅝-12⅛	8⅝-9	9-9¼	6⅛-6⅜	2 1/16-2 3/16	3⅞-4	10⅛-10⅝	13½-14½	9-9¼	3 1/16-3 5/16
One year	11⅞-12⅛	8⅞-9⅛	9 5/16-9 9/16	6⅜-6⅝	2⅜-2½	4⅛-4¼	10⅞-11⅛	14-16	9⅛-9¼	5 3/16-5 5/16

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.10-8.20 per cent; three months 8.40-8.50 per cent; six months 8.85-8.95 per cent; one year 8.95-8.05 per cent.

Long-term Eurodollar deposits: two years 9⅛-9⅜ per cent; three years 9 7/16-9 9/16 per cent; four years 9½-9⅝ per cent; five years 9½-9⅝ per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

U.K. CONVERTIBLE STOCKS 21/7/78

Statistics provided by data STREAM International

Name and description	Size (£m.)	Current price	Terms*	Conversion dates	Flat yield	Red. yield	Premium† Current	Premium† Range‡	Income Equ.§	Income Conv.¶	Income Diff.♡	Cheap(+) Dear(−)◇ Current
Alcan Aluminium 9pc Cv. 89-94	9.05	148.00	100.0	76-80	6.1	3.7						
Associated Paper 9½pc Cv. 85-90	1.40	108.00	200.0	76-79	8.8	8.0	− 6.9	−10 to 2	5.1	4.5	− 0.5	+ 6.4
Bank of Ireland 10pc Cv. 91-96	8.22	179.00	47.6	77-79	5.7	2.8	− 4.1	− 8 to 1	10.9	9.5	− 0.7	+ 3.4
British Land 12pc Cv. 2002	7.71	137.00	333.3	80-97	8.9	8.6	17.4	17 to 30	0.0	93.3	80.0	+62.5
English Property 6½pc Cv. 98-03	8.07	93.00	234.0	76-79	7.1	7.2	− 6.5	−11 to 4	8.3	3.1	− 5.2	+ 1.3
English Property 12pc Cv. 00-05	15.31	89.00	150.0	76-84	13.9	13.9	39.6	24 to 102	30.7	49.0	28.6	−11.0
Hanson Trust 6½pc Cv. 88-93	4.51	81.00	57.1	76-80	8.2	9.1	8.2	1 to 12	5.4	9.0	4.9	− 3.4
Hewden-Stuart 7pc Cv. 1995	0.07	240.00	470.4	75-79	2.9		−23.3	−25 to −7	9.2	3.3	− 1.9	+21.4
Pentos 15pc Cv. 1985	1.06	144.00	166.7	76-82	10.5	7.4	− 0.7	− 7 to 36	42.9	42.4	− 0.3	+ 0.3
Slough Estates 10pc Cv. 87-90	5.50	166.00	125.0	78-87	6.0	1.9	12.5	7 to 16	36.8	53.4	11.2	− 1.3
Tozer, Kemsley 8pc Cv. 1981	7.33	95.00	153.9	74-79	8.6	10.5	10.3	5 to 26	7.3	7.5	0.3	− 9.9
Wilkinson Match 10pc Cv. 83-98	11.10	88.00	40.0	76-83	11.4	11.6	29.4	29 to 40	32.4	37.3	7.3	−22.1

* Number of ordinary shares into which £100 nominal of convertible stock is convertible. † The extra cost of investment in convertible expressed as per cent of the cost of the equity in the convertible stock. ‡ Three-month range. § Income on number of ordinary shares into which £100 nominal of convertible stock is convertible. This income, expressed in pence, is summed from present time until income on ordinary shares is greater than income on £100 nominal of convertible or the final conversion date whichever is earlier. Income is assumed to grow at 10 per cent per annum and is present valued at 12 per cent per annum. ¶ Income on £100 of convertible. Income is summed until conversion and present valued at 12 per cent per annum. ♡ This is income of the convertible less income of the underlying equity expressed as per cent of the value of the underlying equity. ◇ The difference between the premium and income difference expressed as per cent of the value of underlying equity. + is an indication of relative cheapness. − is an indication of relative dearness.

STOCK EXCHANGE REPORT

Sharp response to pay guides and dividend proposals

Equity index rises 8.8 to 479.2—Long tap activated again

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
July 10	July 20	July 21	Aug. 1
July 24	Aug. 3	Aug. 4	Aug. 15
Aug. 7	Aug. 17	Aug. 18	Aug. 30

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Industrial shares responded sharply following the Government's White Paper on future pay guidelines and dividend policy. Prices were still edging forward late in the evening, although it was unclear whether the move was discounting the defeat or the successful passing of next Thursday's dividend Bill.

On the information currently available about the change in dividend restraint, analysts were *quick to single out* likely beneficiaries with increased profit potential and demand subsequently became selective and concentrated on a sizeable list of companies.

Others, recently supported because of their pent-up cash resources, were relegated to the sidelines along with some overseas earners, the latter in the absence of any special dividend concessions which had been hoped for.

Mirroring the general advance, the FT-Actuaries All-share index rose 1.4 per cent to a year's high of 219.86, while the 30-share index gained 8.8 to 479.2 for an improvement on the Account of 23.6. Disappointment with Lloyd's half-yearly figures cast a shadow over the banking sector and this subsection of the Actuaries indices reacted 0.9 per cent to 188.08.

Although lacking the excitement of equities, British Funds traded briskly. The Government broker, after refusing bids of 96½ for supplies of the long tap Exchequer 12 per cent 2013/17, accepted 96¾ and then withdrew, leaving the market to assume his next price would be 96¾; recent switching in and out of the stock continued yesterday and this has complicated matters regarding the extent of official supplies but they must soon be exhausted.

Shorter-dated maturities were initially held in check by tight money market conditions but later improved to the extent of ¼, while South African Gold shares extended this week's marked upturn on a combination of the strong bullion price and some impressive quarterly returns from the mining groups. The F.T. Gold Mines index put on 4.3 more for a gain on the week of 14.4 to 175.0, its highest since June 1976.

Business was fairly brisk in the investment currency market but the effects of a higher rate for sterling were apparent and the premium at the close was a point easier at 107½ per cent. Yesterday's SE conversion factor was 0.6575 (0.6582).

In line with increased activity in the equity market, business in Traded Options picked up quite sharply. The total number of contracts completed jumped from 565 on Thursday to 1,010, the second heaviest trade so far and came only a few days after Tuesday's record of 1,249. Just over 80 per cent of the business was transacted in five stocks. Grand Met. were the day's leader with 200, while ICI 192, ConsGold, 156, Land Securities 146, and Marks and Spencer 125 followed. The week's daily average of trade was the highest so far at 835.

Lloyds disappoint

Lloyds Bank, down 8 at 265p after 274p, got the clearing Bank interim dividend season off to a disappointing start, reporting first-half profits well below expectations. The other big three eased in sympathy and NatWest, the next to report on Tuesday, closed 3 lower at 275p, after 280p, while Midland ended a similar amount down at 363p, after 368p. Barclays closed unaltered at 325p, after 330p. Elsewhere, Minster Assets stood out with a rise of 5 to 63p on the announcement that the group has sold its British Midlands Airways subsidiary to three of BMA's directors and a wealthy Californian private investor in a £2.55m deal. Hambros edged forward 2 more to 171p awaiting news of the loan discussions with the Norwegian Guarantee Institute. Insurances moved higher with the general trend and recorded gains to 10, as in C. E. Heath, 282p.

Breweries attracted a better business and closed on a firm note. Whitbread A hardened 2½ to 93½p, while Bass Charrington, 158p, and Vaux 117p, put on 5 and 6 respectively. Distilleries also made headway in the wake of the confirmation of planned price increases by Distillers which closed 4 harder at 187p, while Invergordon rose 5 to 114p and A. Bell put on 14 to 248p.

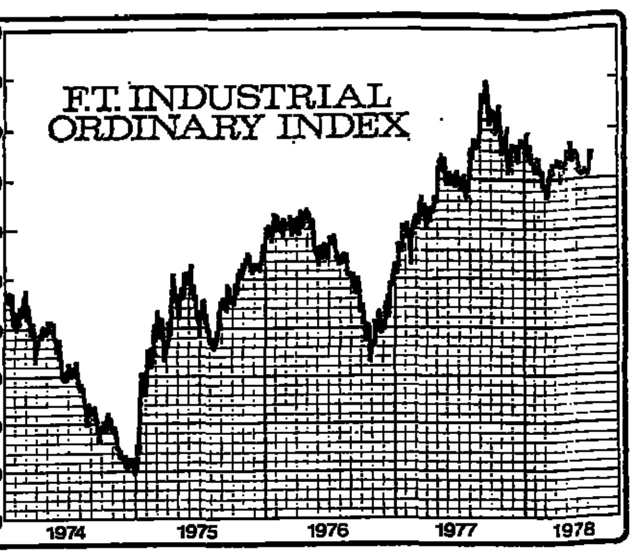
Wettern Bros. reacted 11 to 79p in the late dealings on news that W. and J. Glossop had lapsed its offer for the company.

Selective buying interest was evident in the Building sector. Brown and Jackson were again noteworthy for a rise of 8 at 152p, while Manders came to life with a rise of 6 to 97p. Gains of 5 were marked against Erith, 95p, Ibstock Johnsen, 175p, and Burnett and Hallamshire, 202p. Despite the lower annual profits, Burt Boulton improved 2 to 177p. William Leech were quoted ex rights at 79½p, with the new shares at 11p premium.

Stores buoyant

The Government proposals on dividend policy helped ICI which improved to 392p befoe settling at 388p for a rise of 5 on the day. Elsewhere in Chemicals and Plastics, Wm. Ransom encountered support in a limited market and put on 15 to 210p. Alida Packaging were also favoured 195p, up 4, along with Plysu, which improved 2 further to 90p.

Leading Stores were in bouyant mood on the last day of the Account. Spurred by news that consumer spending is at a peak and by the surrounding market firmness, prices made progress from the start on genuine demand. Gussies A were strong at 292p, up 12, following comment on the results and Debenhams added 6 to 94p with the added help of an investment recommendation. Marks and Spencer rose 8 to 162p as did Mothercare, to 174p, while British Home put on 6 to 190p and House of Fraser 5 to 141p. Elsewhere, the pattern remained the same as Bourne and Hollingsworth added 10 more to 116p in a thin market and Elys (Wimbledon), still on bid hopes, improved 5 more to 205p. Bambers (formerly Vernon Fashions) gained 5 to 90p as did Wades A, to 53p.



Electricals moved higher on a selective basis. GEC, a firm market of late on the company's dividend potential, rose 6 to 272p, while gains of around 10 were seen in Racal Electronics, 264p, and Thorn Electrical, 360p. MK Electric finished 8 better at 197p as did Petbow, at 232p.

Buying in the belief that the group will be a beneficiary of the Government's new dividend proposals helped John Brown to rise 14 to 412p. Elsewhere in firm Engineerings, Hawker added 6 to 220p and Tubes improved 5 to 370p, while further buying ahead of Tuesday's preliminary results helped Davy International to gain 8 more to 264p. The agreed increased cash bid of 95p per share from Sandvik, prompted a rise of 7 to 94p in Spooner Industries, while Weston-Evans improved 4 to 132p following the increased dividend forecast used in the Board's defence against the 124¾p per share offer from Birmingham and Midlands Counties Trust. APV, 235p, and Spirax-Sarco, 175p, rose 12 and 9 respectively.

Foods contributed their share of firm spots. Tesco rose 2½ to 48p on the company's dividend potential, while others similarly influenced included J. Sainsbury, 8 better at 210p, and Associated Dairies, 17 to the good at 245p. Cullen's Stores improved 6 to 122p in response to the annual report, while Associated Fisheries moved up 3 more to 43p on further consideration of the interim statement. Interest was also shown in Geo. Bassett, 4 up at 124p, and J. Bibby, 6 higher at 239p. Unigate, at 67p, lost a penny of the previous day's rise of 6 which followed better-than-expected preliminary figures.

Trust Houses Forte rose 6 to 227p on dividend hopes. Elsewhere in Hotels and Caterers, Queen's Moat Houses hardened 3 to 41½p and Grand Metropolitan hardened 4 to 112p. Against the trend, Ladbroke reflected publicity given to a broker's circular with a fall of 5 to 1978 low of 155p.

BTR good

Miscellaneous Industrials closed with widespread gains following the Government's White Paper on wages and future dividend policy. Particularly popular were the stocks believed to have the best profit potential and so be able to benefit from the new dividend measures. Included in this category were BTR, firm lately on the company's extensive U.S. expansion moves, which firmed 17 to 307p, after 308p, and ICL, 14 to the good at 330p, after 332p. Robert McBride, up 65 the previous day on the bid approach, cheapened 3 to 197p to match the bid terms from BP. Glaxo rose 8 to 575p among the leaders, while Pilkington put on 7 to 563p and Boots added 7 more to 210p, after 211p. By way of contrast, Unilever relinquished 8 to 528p on disappointment with the Government's dividend proposals.

Lucas Industries led Motors and Distributors into higher ground with a rise of 11 to 316p. Rolls-Royce edged forward 3 to a 1978 peak of 102p, while investment demand lifted Airflow Streamlines 5 to 95p and Dowty 6 to 236p. Flight Refuelling became an erratic market, touching a 1978 peak of 173p on renewed bid speculation before closing only 2 better on the day at 170p following a denial from the company. Following details of the proposed merger, Oliver Rix and Manchester Garages both closed a shade easier at 7½p and 34p respectively. A. C. Cars provided another dull spot at 35p, down 2, on the profits warning accompanying the interim figures.

Newspaper issues to make noteworthy progress included News International, 12 to the good at 268p, and Associated 6 higher at 166p. Dealings were temporarily suspended in Thomson Organisation at 295p pending publication of reorganisation details. Elsewhere, Associated Book met demand and put on 12 to 235p, but Inveresk remained on offer following the sharply lower interim profits and gave up 2 further to 65p for a fall on the week of 11½.

Properties continued firmly, but interest was selective and centred on only a few stocks. Still reflecting the good annual results, Haslemere improved 2 further to 244p, while favourable Press comment stimulated demand for Rosehaugh, 15 to the good at 200p. Helped by a broker's circular suggesting that the company's current net asset value is worth 360p per share, Stock Conversion improved 4 more to 258p; the preliminary results are due next Wednesday.

Oils enjoyed a reasonably active trading session. British Petroleum moved ahead to 886p on the proposed new dividend measures before settling at 878p for a rise of 22 on the day, but Shell, which touched 562p ahead of the dividend statement, came back to close only 2 higher on balance at 558p. Premier were firm at 18½p, up 1½.

Boustead, 5 up at 60p, were notably better in otherwise little-changed Overseas Traders.

London Trust Deferred featured Investment Trusts, rising 10 to 112p in active trading fuelled by vague rumours of a forthcoming bid from Guardian Royal Exchange. Atlantic Assets hardened 3 to 100½p on further consideration of the results, while Capital issues had New Throgmorton 5 better at 114p and City and Commercial 7 higher at 110p. Dealings in American Association were suspended at 175p pending the outcome of bid talks. Financials were noteworthy for renewed speculative interest in Fitzroy, 2 harder at 21p, and Grimshawe, 3 better at 25p. Dealings in S. Pearson, 229p, and its subsidiary Pearson Longman, 194p, were suspended pending the offer from the parent company for the Pearson Longman minority; the details were made known well after the close of the market.

Following the recent speculative rise, Dawson International eased back 4½ to 140p on light profit-taking. Elsewhere in Textiles, Vita-Tex hardened 2 further to 46p on the results and revived interest lifted Levex 2½ to 10p.

Among Plantations, Bertam Consolidated recorded an *improvement of* 11 to a 1978 peak of 118p on small buying in a restricted market.

Golds at 2-year high

South African Golds registered gains for the sixth consecutive trading day in the wake of the continuing rise in the bullion price, which was finally another $2.75 higher at $191.875 per ounce, its highest since December 1974 and a week's gain of $6.

The Gold Mines index advanced 4.3 more to 175.0—its best level since June 16, 1976—bringing the improvement on the week to 14.2.

Also fuelling the sharp advances in Golds over the week were the generally good June quarterly profit returns and better-than-expected dividend announcements from Western Deep and Vaal Reefs.

Among heavyweights President Steyn were outstanding with a rise of 83 at 843p. Hartebeest put on a half-point at £13¾ while West Driefontein and Free State Geduld were both around ¾ to the good at £22 and £18¾ respectively.

Lower-priced issues registered considerable improvements, most notably Kinross 30 higher at 426p. The 25 cents interim announced by East Daggafontein prompted a good demand for the shares which jumped 6 to a 1978 high of 35p.

South African Financials mirrored Golds. Union Corporation hardened a penny more to 293p for a week's rise of 20p on further consideration of Wednesday's news that the group is to develop the Beisa uranium/gold mine in the Orange Free State. UC Investments, which is entitled to 10 per cent of any new Union Corporation development, put on 4 to 244p.

Other stocks to move ahead included Anglo American, 6 better at 330p and De Beers, 4 up at 394p. The buoyancy of both bullion and Gold shares lifted Gold Fields 6 more to 186p, a rise on the week of 11.

Australians gained ground in line with overnight domestic markets. Atherton Antimony jumped 15 to 95p on reports that a placement of 500,000 shares at 80 cents has been made with London and Australian institutions to provide funds.

Diamond hopes lifted Conzinc Riotinto 6 more to a 1978 high of 252p, while the recent strength of the bullion price prompted a good demand for Gold Mines of Kalgoorlie, which closed 6 firmer at 52p.

FINANCIAL TIMES STOCK INDICES

	July 21	July 20	July 19	July 18	July 17	July 14	A year ago
Government Secs	70.78	70.70	70.57	70.50	70.50	70.38	66.88
Fixed Interest	71.70	71.67	71.64	71.60	71.49	71.68	67.68
Industrial Ordinary	479.2	470.4	467.7	472.4	479.3	474.4	431.5
Gold Mines	175.0	170.7	164.4	162.6	161.3	160.6	116.3
Ord. Div. Yield	5.54	5.64	5.68	5.63	5.55	5.60	5.53
Earnings Y'ld%(full)*	16.81	17.14	17.25	17.10	16.66	17.01	16.52
P/E Ratio (net)*†	7.94	7.79	7.74	7.81	7.92	7.85	8.76
Dealings marked	4,428	4,367	4,383	4,757	4,321	4,172	4,819
Equity turnover £m	—	73.77	76.84	85.84	68.07	70.96	68.91
Equity bargains total	—	16,920	15,372	17,151	14,756	15,755	14,040

10 am 478.6. 11 am 472.5. Noon 476.9. 1 pm 478.4.
2 pm 478.8. 3 pm 478.4.
Latest Index 01-246 8026.

* Based on 52 per cent corporation tax. † Nil=7.77.

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs	78.58 (5/1)	68.79 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	497.3 (6/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	175.0 (21/7)	130.3 (5/1)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	July 21	July 20
—Daily		
Gilt-Edged	152.2	144.7
Industries	152.1	151.5
Speculative	38.4	37.2
Totals	100.8	99.4
—5-day Av'rage		
Gilt-Edged	153.9	152.0
Industries	155.1	153.6
Speculative	32.0	29.9
Totals	101.5	100.2

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (230)

BRITISH FUNDS (2)
AMERICANS (1)
CANADIANS (6)
BANKS (3)
BEERS (2)
BUILDINGS (8)
CHEMICALS (5)
DRAPERY & STORES (16)
ELECTRICALS (12)
ENGINEERING (20)
FOODS (4)
HOTELS (3)
INDUSTRIALS (31)
INSURANCE (4)
MOTORS (4)
NEWSPAPERS (1)
SHIPPING (1)
SHOES (2)
TEXTILES (2)
TRUSTS (84)
OVERSEAS TRADERS (5)
RUBBERS (1)
MINES (16)

NEW LOWS (9)

BUILDINGS (1)
Mears Bros.
ELECTRICALS (1)
Rediffusion
HOTELS (1)
Ladbroke
INDUSTRIALS (3)
Brady Inds. Pleasurama
Hanimex Corp.
SHIPPING (2)
Hunting Gibson Reardon Smith A
TRUSTS (1)
Ambrose Inv. Inc.

LONDON TRADED OPTIONS

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ACTIVE STOCKS

YESTERDAY—

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
BP	£1	22	878	+22	896	720
ICI	£1	19	388	+ 5	396	328
GEC	25p	13	272	+ 6	278	233
Grand Met.	50p	13	112	+ 4	117½	87
Racal Electronics	25p	10	264	+12	264	196
Shell Transport	25p	10	558	+ 2	586	484
Marks & Spencer	25p	9	162	+ 8	162	135
Trust Houses Forte	25p	9	227	+ 6	227	166
BATs Defd.	25p	8	265	− 2	296	227
Brown (J.)	£1	8	412	+14	412	231
Distillers	50p	8	187	+ 4	190	163
European Ferries	25p	8	136	+ 5	136	90
Lonrho	25p	8	59	+ 1	78	55
Lucas Inds.	£1	8	316	+11	318	240
Thomson Org.	25p	8	295†	—	295	155

† Price at suspension.

The above list of active stocks is based on the number of bargains recorded yesterday in the Official List and under Rule 163(1) (e) and reproduced to-day in Stock Exchange dealings.

ON THE WEEK—

Stock	Denomination	No. of marks	Closing price (p)	Change on week	1978 high	1978 low
ICI	£1	101	388	+ 3	396	328
BP	£1	75	878	+12	896	720
Shell Transport	25p	64	558	−12	586	484
GEC	25p	55	272	+ 1	278	233
BATs Defd.	25p	53	265	—	298	227
Barclays Bank	£1	45	325	− 1	358	296
Marks & Spencer	25p	45	162	+ 5	162	135
Grand Met.	50p	42	112	+ 3½	117½	87
Midland Bank	£1	42	363	+ 3	390	330
Boots	25p	40	210	+ 4	231	184
Distillers	50p	36	187	—	190	163
Royal Insurance	25p	35	373	+ 8	425	343
Beecham	25p	34	670	+ 3	678	583
Dunlop	50p	34	76	− 4	90	71
Rank Org.	25p	34	240	− 4	268	226

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hill Samuel	§10 %
Allied Irish Banks Ltd.	10 %	C. Hoare & Co.	†10 %
American Express Bk.	10 %	Julian S. Hodge	11 %
Amro Bank	10 %	Hongkong & Shanghai	10 %
A P Bank Ltd.	10 %	Industrial Bk. of Scot.	10 %
Henry Ansbacher	10 %	Keyser Ullmann	10 %
Banco de Bilbao	10 %	Knowsley & Co. Ltd.	12 %
Bank of Credit & Cmce.	10 %	Lloyds Bank	10 %
Bank of Cyprus	10 %	London Mercantile	10 %
Bank of N.S.W.	10 %	Edward Manson & Co.	11½%
Banque Belge Ltd.	10 %	Midland Bank	10 %
Banque du Rhone	10½%	■ Samuel Montagu	10 %
Barclays Bank	10 %	■ Morgan Grenfell	10 %
Barnett Christie Ltd.	11 %	National Westminster	10 %
Bremar Holdings Ltd.	11 %	Norwich General Trust	10 %
Brit. Bank of Mid. East	10 %	P. S. Refson & Co.	10 %
■ Brown Shipley	10 %	Rossminster Ltd.	10 %
Canada Perm't. Trust	10 %	Royal Bk. Canada Trust	10 %
Capitol C & C Fin. Ltd.	10 %	Schlesinger Limited	10 %
Cayzer Ltd.	10 %	E. S. Schwab	11½%
Cedar Holdings	10½%	Security Trust Co. Ltd.	11 %
■ Charterhouse Japhet	10 %	Shenley Trust	11 %
Choulartons	10 %	Standard Chartered	10 %
C. E. Coates	11 %	Trade Dev. Bank	10 %
Consolidated Credits	10 %	Trustee Savings Bank	10 %
Co-operative Bank	*10 %	Twentieth Century Bk.	11 %
Corinthian Securities	10 %	United Bank of Kuwait	10 %
Credit Lyonnais	10 %	Whiteaway Laidlaw	10½%
The Cyprus Popular Bk.	10 %	Williams & Glyn's	10 %
Duncan Lawrie	10 %	Yorkshire Bank	10 %
Eagil Trust	10 %		
English Transcont.	11 %		
First Nat. Fin. Corpn.	12 %		
First Nat. Secs. Ltd.	12 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		
■ Hambros Bank	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7½%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 7½%, and over £25,000 8½%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7½%.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
July 18	July 31	Oct. 12	Oct. 24
Aug. 7	Aug. 14	Oct. 26	Nov. 7
Aug. 15	Aug. 29	Nov. 9	Nov. 21

For rate indications see end of Share Information Service

Stocks favoured for the call were Mills and Allen, English Property, UDT, Burmah Oil, Hong Kong and Shanghai Banking, Grimshawe, Ladbroke Warrants, William Morrison, Broken Hill Proprietary, British Land, Fitch Lovell, Unilever, Geo. Wimpey, Manchester Ship, Consolidated Gold Fields, KCA International, Premier Consolidated Oil, William Press, Ladbroke, J. H. Fenner and Associated Fisheries. Puts were done in Dixon's Photographic and BP, while doubles were arranged in British Land, Premier Consolidated Oil, BP, Dixon's Photographic, English Property and Oliver Rix.

RISES AND FALLS

	Yesterday Up	Yesterday Down	Yesterday Same	On the week Up	On the week Down	On the week Same
British Funds	59	1	17	250	19	116
Corpns. Dom. and Foreign Bonds	7	1	56	39	10	271
Industrials	519	185	835	1,834	1,274	4,587
Financial and Prop.	223	36	257	773	422	1,381
Oils	12	6	16	52	45	73
Plantation	3	5	24	26	28	106
Mines	70	8	48	274	106	250
Recent Issues	9	5	30	44	40	125
Totals	902	247	1,283	3,292	1,950	6,909

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS and SUB-SECTIONS	Fri., July 21, 1978 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield %	Est. P/E Ratio (Net)	Thurs. July 20 Index No.	Wed. July 19 Index No.	Tues. July 18 Index No.	Mon. July 17 Index No.	Year ago (approx.) Index No.	1978 High	1978 Low	Since Compilation High	Since Compilation Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Figures in parentheses show number of stocks per section.

FIXED INTEREST PRICE INDICES

British Government	Fri. July 21	Day's change %	xd adj. To-day	xd adj. 1978 to date
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST YIELDS Br. Govt. Av. Gross Red.

		Fri. July 21	Thurs. July 20	Year ago (approx.)	1978 Highs	1978 Lows
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Fri. July 21 Index No.	Yield %	Thur. July 20	Wed. July 19	Tues. July 18	Mon. July 17	Fri. July 14	Thur. July 13	Wed. July 12	Year ago (approx.)	1978 Highs	1978 Lows	Since Compilation Highs	Since Compilation Lows
15 20-yr. Red. Deb. & Loans (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Investment Trust Prefs. (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17 Coml. and Indl. Prefs. (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Section or Group	Base Date	Base Value	Section or Group	Base Date	Base Value
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONSTITUENT CHANGE: [illegible] NAME CHANGE: [illegible]

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Equity Fd. Acc.	99.2	104.4	+0.2	—
Equity Fd. Incm.	99.2	104.4	+0.2	4.95
Equity Fd. Init.	98.9	104.1	+0.2	—
Property Fd. Acc.	95.9	100.9	.....	—
Property Fd. Incm.	95.9	100.9	.....	3.90
Property Fd. Init.	95.4	100.4	.....	—
Inv. Tst. Fd. Acc.	103.9	109.3	+0.7	—
Inv. Tst. Fd. Incm.	103.9	109.3	+0.7	4.90
Inv. Tst. Fd. Init.	103.3	108.7	+0.7	—
Fixed Int. Fd. Acc.	97.8	102.9	+0.1	—
Fxd. Int. Fd. Incm.	97.8	102.9	+0.1	11.44
Inter'l. Fd. Acc.	115.6	121.6	+0.9	—
Inter'l. Fd. Incm.	115.6	121.6	+0.9	3.88
Money Fd. Acc.	96.2	101.2	.....	—
Money Fd. Incm.	96.2	101.2	.....	8.75
Dist. Fd. Incm.	104.7	110.2	-0.5	8.25
Crown Brt. Inv. 'A'	155.3	—	.....	—

Crusader Insurance Co. Ltd.
Vincula House, Tower Pl., EC3 01-626 8031

Gth. Prop. July 4	70.9	80.4	.....	—

Eagle Star Insur/Midland Ass.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	52.9	54.9	+0.2	5.97

Equity & Law Life Ass. Soc. Ltd.♥
Amersham Road, High Wycombe 0494 33377

Equity Fd.	115.1	121.1	+1.0	—
Property Fd.	106.7	112.3	.....	—
Fixed Interest F.	109.1	114.8	+0.2	—
Gtd. Deposit Fd.	99.4	104.6	.....	—
Mixed Fd.	111.5	117.3	+0.3	—

Recovery Fd. Bd.*	63.3	66.6	.....	—
American Fd. Bd.*	52.9	55.7	.....	—
Japan Fd. Bd.*	57.2	60.3	.....	—

Prices on *July 19. **July 20. ***July 21.

Merchant Investors Assurance
125, High Street, Croydon. 01-686 9171

Property	154.1	+0.1	—
Property Pens.	161.1	+0.1	—
Equity	58.5	+0.9	—
Equity Pens.	167.4	+2.4	—
Money Market	141.7	+0.9	—
Money Mkt. Pens.	183.1	+1.1	—
Deposit	129.1	+0.1	—
Deposit Pens.	140.7	+0.2	—
Managed	105.6	+1.0	—
Managed Pens.	137.3	+1.0	—
Intl. Equity	107.7	+2.3	—
Intl. Managed	105.2	+1.6	—

NEL Pensions Ltd.
Milton Court, Dorking, Surrey. 5911

Nelex Eq. Cap.	78.1	82.2	.....	—
Nelex Eq. Accum.	114.0	119.9	+1.2	—
Nelex Money Cap.	61.8	65.0	.....	—
Nelex Mon. Acc.	65.5	69.0	.....	—
Nelex Gth Inc Cap	47.6	50.1	.....	—
Nelex Gth Inc Acc.	48.6	51.1	.....	—
Nel Mxd. Fd. Cap.	47.6	50.1	.....	—
Nel Mxd. Fd. Acc.	48.6	51.1	.....	—

Next Sub day July 25.
For New Court Property see under Rothschild Asset Management

EUROPEAN OPTIONS EXCHANGE

Series		July Vol.	July Last	Oct. Vol.	Oct. Last	Jan. Vol.	Jan. Last	Stock
AKZ	F27.50	—	—	—	—	1	5.10	F29.70
AKZ	F30	—	—	36	2	46	3.20	"
AKZ	F32.50	—	—	21	1	6	2	"
EK	$50	—	—	6	8⅝	—	—	$58⅝
EK	$60	—	—	3	2¾	—	—	"
FNO	$25	—	—	1	1⅛	—	—	$24⅝
GM	$70	—	—	—	—	1	⅛	$60¼
HO	F35	—	—	1	1.90	—	—	F34.60
HO	F37.50	—	—	10	0.90	4	1.80	"
IBM	$240	7	28½	—	—	—	—	$259
IBM	$260	7	8½	—	—	7	17¼	"
IBM	$280	—	—	1	4½	27	7¾	"
KLM	F140	—	—	—	—	7	22	F156
KLM	F150	—	—	30	12.50	5	18	"
KLM	F160	33	0.20	38	7.50	9	12	"
KLM	F170	5	0.10	47	4.50	20	8.50	"
KLM	F180	—	—	25	3	3	5.50	"
KLM	F190	—	—	15	2.70	1	4.50	"
KLM	F200	—	—	62	1.70	41	3	"
KLM	F220	—	—	—	—	12	2	"
NN	F108.90	—	—	—	—	4	3.40	F102.20
PHI	F25	188	1.10	20	1.80	—	—	F26.10
PHI	F27.50	—	—	31	0.70	21	1.30	"
RD	F120	—	—	1	16	5	16	F134.40
RD	F130	5	4.10	134	6	9	7.80	"
RD	F140	—	—	10	1.20	4	2.20	"
S	$20	2	3½	—	—	—	—	$23¼
S	$30	—	—	—	—	1	¼	"
T	$65	—	—	—	—	1	¼	$60⅜
UNI	F120	—	—	2	5	—	—	F122.40
UNI	F130	—	—	—	—	2	1.80	"
		Aug.		Nov.		Feb.		
OXY	$30	—	—	—	—	7	½	$21⅛
SLB	$90	3	1½	—	—	—	—	$87

005, Gammon House, Hong Kong
Baring Hong Bond Fd July 20 $US10.069*.
*Exclusive of any prelim. charges

Hill-Samuel & Co. (Guernsey) Ltd.
8 LeFebvre St., Peter Port, Guernsey, C.I.
Guernsey Tst. 152.8 163.5 +1.1 3.56

Hill Samuel Overseas Fund S.A.
37, Rue Notre-Dame, Luxembourg
$US19.16 19.93 -0.03 —

International Pacific Inv. Mngt. Ltd.
PO Box R237, 56, Pitt St. Sydney, Aust.
Javelin Equity Tst. $A2.09 2.19 ..... —

J.E.T. Managers (Jersey) Ltd.
PO Box 194, Royal Tst. Hse., Jersey 0534 27441
Jersey Extral Tst. 174.0 186.0 ..... —
As at June 30. Next sub. day July 31.

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	$HK293.94	.....	2.50
Jardine J'pn Fd.*	$HK353.28	.....	1.00
Jardine S.E.A.	$US16.79	.....	1.80
Jardine Flem. Int.	$HK10.55	.....	—
Intl. Pacific Secs.	$HK12.67	.....	—

NAV June 30. *Equivalent $US75.97. Next sub. July 14.

Utd. Intnl. Mngmnt. (C.I.) Ltd.
14, Mulcaster Street, St. Helier, Jersey
U.I.B. Fund

United States Tst. Intl. Adv. Co.
14, Rue Aldringer, Luxembourg
U.S. Tst. Inv. Fnd. $10.74
Net asset July 20

S. G. Warburg & Co. Ltd.
30, Gresham Street, EC2

Warburg Invest. Mngt. Jrsy. Ltd.
1, Charing Cross, St. Helier, Jsy. C.I. 0534 73741

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd. $US15.57

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

CORAL INDEX: Close 475-480

INSURANCE BASE RATES

† Property Growth 10½%
† Vanbrugh Guaranteed 9.25%
† Address shown under Insurance and Property Bond Table.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
24	17	Antofagasta Rly.	24	.....	—	—
40	35	Do. 5pc Pref.	40	.....	—	—
98	92	Chilean Mixed	98xd	.....	—	13.10
415	350	German Yng. 4½pc	410	.....	4½	—
54	46	Greek 7pc Ass.	54	.....	3½	16.48
51	45	Do. 6pc 28 Stab. Ass.	51	.....	6	16.00
43	40	Do. 4pc Mixed Ass.	43	.....	4	14.65
55	42	Hung. '24 Ass.	55	.....	4½	5.00
77	65	Ireland 6½pc 83-88	65	.....	—	12.60

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 53¼% (based on $US1.9097 per £)
Conversion factor 0.6575 (0.6582)

CANADIANS

S.E. List Premium 53¼% (based on $2.1467 per £)

BANKS AND HIRE PURCHASE

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

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CHEMICALS, PLASTICS—Cont.

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

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Frankfurt: Im Sachsenlager 13. Telex 16263 Tel: 554667

Leeds: Permanent House, The Headrow. Tel: 0532 454969

Manchester: Queen's House, Queen Street. Telex 666813 Tel: 061-834 9381

New York: 75 Rockefeller Plaza, N.Y. 10019. Telex 423025 Tel: (212) 489 8300

Paris: 36 Rue du Sentier, 75002. Telex 220044 Tel: 236 86 01

Tokyo: Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku. Telex J 27104 Tel: 295 4050

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Finance, Land, etc.

FINANCE, LAND—Continued

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

MINES—Continued

CENTRAL AFRICAN

AUSTRALIAN

TINS

COPPER

MISCELLANEOUS

61	35	Barymin	55	+1	—	—	—
17	9	Burma Mines 17½p	14		—	—	—
300	220	Cons. Murch. 10c	230		‡Q30c	2.6	‡
465	245	Northgate C$1	395	+5	—	—	—
234	164	R.T.Z.	221	+3	9.5	2.8	6.5
90	30	Sabina Inds. C$1	60	+3	—	—	—
£12	750	Tara Exptn. $1	900		—	—	—
45	43	Tehidy Minerals 10p	45		1.33	ϕ	4.5
180	120	Yukon Cons. C$1	168		Q7c	2.9	2.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ✣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 24

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	24		Shelf Refresh.	56	
Ash Spinning	32	-2	Sindall (Wm.)	103	

IRISH

OPTIONS

3-month Call Rates

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Saturday July 22 1978

MAN OF THE WEEK

Ruling the roost

BY ELINOR GOODMAN

THE BREEDING potential of chickens is not, you might think, the kind of thing which would *normally interest* the chairman of one of Britain's largest public companies. But this week, Sir John Pile, chairman, of the Imperial Group was producing new facts about the chicken business with the enthusiasm of a stamp collector who has just found a stamp with the Queen's head printed *upside down on it*.

A naturally diffident man, Sir John is capable of great enthusiasm. And he is enthusiastic about his company's bid this week for J. B. Eastwood. Through its food division, Imperial is already the largest poultry operator in the world, producing more than 250m kgs of poultry meat and breeding stock which results in annual sales of over 2.5bn broiler chickens. By acquiring

Pile: Feathers fly

Eastwoods, Imps would strengthen its share of the other main sector of the chicken market—eggs, and the parent stock to produce them in ever increasing numbers.

Sir John is clearly stimulated by the idea of a takeover. When he first moved up from W. D. & H. O. Wills in Bristol to become deputy chairman of Imperial in 1971, he was closely involved in the group's bid for Courage. Since then, though, the company has made only relatively small acquisitions.

On taking over as chief executive in 1973, he was, as he says, "pitchforked into a situation where careful housekeeping rather than expansion was the order of the day." As a result of the explosion in commodity prices, the company had what both Sir John and the then *chairman, Sir John Partridge*, considered to be an unacceptably high gearing of 139 per cent. The lesson he learned then, he says, was to "get something under the mattress." Capital expenditure was cut back and any thoughts of grand expansion were postponed.

The basic objective of decreasing the group's reliance on tobacco remained, however. The idea was that more than half of the group's profits should come from outside tobacco by 1978. That target was achieved last year when a disappointing *performance in the tobacco division* was largely offset by the result of the group's other activities which now range from paper and packaging to brewing.

Meanwhile, the position "under the mattress" has changed radically. Partly as a result of reducing its stake in *BAT Industries*, Imperial now has around £100m in gilts and company's gearing has been reduced to nearer 60 per cent. This, Sir John says, has given the company much more flexibility, and allowed it to make its £38.2m bid for Eastwood.

Imperial has been interested in Eastwood for some time but it was not until the Eastwood management accepted the bid from the American agricultural producer Cargill, that it became obvious that they were now prepared to sell.

Whether or not Imps gets East*wood now* depends not only on whether Cargill raises its offer but also on the Monopolies Commission. Though Sir John says he sees no reason why the bid should be referred to the Commission, he is clearly preparing his defences.

As *a man who has been in* the tobacco business since 1946 when he joined Imperial, and is a member of the CBI council, Sir John is used to dealing with Government departments. A 25-cigarettes a day smoker himself, he claims to have no compunction about running Britain's largest tobacco company whatever doctors may say about smoking and health.

He is not, he insists, a medical expert, and even the experts disagree about the effects of smoking on health. Virtually everything, he maintains, is cited by a doctor somewhere as being harmful to health—even eggs.

He wants the company, which last year had a turnover of £3.2bn, to remain "financially comfortable." Acquisitions may be made, but only if the right opportunity arises. Eastwood, he regards, as just such an opportunity.

UK reopening talks on joining Airbus

BY ADRIAN DICKS

BONN, July 21.

BRITAIN'S CHANCES of joining Airbus-Industrie, the European consortium, which a few days ago looked remote, appear to have increased significantly after private talks between Mr. Eric Varley, Industry Secretary, and his French and West German counterparts.

It is understood that, in consequence, British Aerospace will hold fresh discussions with the consortium's member companies about precisely how it might share in building the 200-seater B-10 version of the A300 Airbus.

Later, the possibility may also emerge of Rolls-Royce being associated with the Airbus, an opportunity which some European aerospace executives say the British engine company has *never fully explored*.

Assuming success in the talks between the companies, Governments would still need to work out their shares of the development costs of the B-10, an exercise that Bonn and Paris do not expect to carry out before early autumn. Britain's share, according to industrial sources, would probably be £150m-£170m.

After meeting M. Joel le Theule, the French Transport Minister, in Paris, Mr. Varley late last night met Herr Martin Gruener, State Secretary in the Economics Ministry here, with the heads of Messerschmitt and VFW-Fokker, the West German partners in the Airbus.

The German side emphasised after the talks that Britain has not yet decided whether to join Airbus or to co-operate with Boeing of the U.S. However, it was felt that Mr. Varley understood the pressure of time for the B-10, on which detailed design work has started and the first metal is likely to be cut about the end of this year.

In spite of that increasing momentum, Bonn is willing to wait a litle longer for the British response, now that it is apparently satisfied that Britain is not merely playing for time.

Meanwhile, the impression is gaining ground that a middle way between the European and American offers may, after all, be open to the British Government. On the European side, it is no longer being pressed to accept a firm commitment to the two proposed joint European transport (JET) narrow hodied designs as a condition of joining in the work on the B-10.

Bonn, unlike certain more enthusiastic manufacturers, is not insisting that all three projects constitute a take-it-or-leave-*it offer, but wants financial and* technical resources concentrated on the B-10, as a project that has now won 60 launching orders and options and proved itself a promising business proposition.

If the JET designs are left out of consideration, some German experts consider that Britain might still feel free to work with Boeing on its proposed 757, which would compete not with the B-10 but with one of the two JET projects on which the European manufacturers are not yet even agreed among themselves.

BP to raise its Australian coal stake in £102m deal

FINANCIAL TIMES REPORTER

BRITISH PETROLEUM plans to spend £102m to increase its stake in Australian coalmining and another £13m on two British acquisitions in the chemical industry. The announcements of the deals yesterday follow only five weeks after that of £430m of investment in Europe.

BP is to buy the 50 per cent interest in Clutha Development in Australia which it does not already own, a purchase which is part of BP's strategy of increasing its interest in coal. Further acquisitions in this field are intended.

Clutha is the largest coal producer in New South Wales and the second biggest coal exporter in Australia, with a large part of overseas sales going to Japan.

The acquisition will bring the coal mining assets of BP up to about 5 per cent of the group total. BP's objective is to produce 20m tons of coal per annum by 1985.

The purchase will be made through BP Coal Australia Pty and fianced by local cash flow and loans. BP said yesterday that North Sea oil revenues were not going into Australian coal mines, but the balance sheet strength conferred by North Sea oil helped to make the financing possible.

The first 50 per cent of Clutha was bought 18 months ago for A$184m (£111m at the current exchange rate). Payment for the second 50 per cent will be made in four annual instalments from 1980 to 1983.

BP recognises that it will have to reduce its stake in Clutha in due course, probably back to half, the guideline of the Australian Government on ownership of mineral projects. BP hopes to dilute its stake down to a half by merging Clutha with a locally-owned company. A public offer *of shares is another option*.

The seller of Clutha is Universal Tankships, part of the U.S.-based interests of Mr. Daniel K. Ludwig.

BP also announced yesterday an agreed £12.2m bid for Robert McBride (Middleton), a Manchester-based detergent and bleach maker.

Both BP and McBride's managements emphasised that the *proposed deal would result in* the logical extension of each company's business. BP, through its Edinburgh subsidiary, Young's Paraffin Light and Mineral Oil Company, held a 12.5 per cent share in the liquid detergent market—mostly in the industrial sector—while McBride held an 8 per cent share, predominantly in the retail market.

The second proposed deal in the chemicals industry is the purchase of the whole of Border Chemicals for just under £1m. BP plans to acquire ICI's minority one-third interest. Border Chemicals was formed in the mid-1960s.

Lloyds Bank profits hit by higher costs

BY MICHAEL BLANDEN

HIGHER costs and lower margins hit the profits of Lloyds Bank in the first half of the year.

First of the big four banks to announce half-year results, Lloyds reported a pre-tax total of £76.5m. This was slightly higher than in the second half of last year, but was down by 15 per cent compared with the first half of 1977.

The news disappointed the stock market, where brokers' estimates of the Lloyds profit generally had been above £80m with some ranging as high as £90m. Ahead of the announcement, Lloyds share price had *been up slightly. But it ended* with a loss on the day of 8p at 265p.

Shares of the other big banks, which will be announcing their half-year results over the next week, were hit. Barclays shares ended unchanged at 325p after rising to 330p earlier, but Mid*land and National Westminster* closed with falls of 3p.

The main pressure on the Lloyds results came from reduced profits in its domestic banking activities. The international side of the business was less buoyant but was able to maintain its earnings and accounted for more than 50 per cent of total group profits during the first half of the year compared with about 45 per cent in the previous year.

In the UK the bank's current account balances rose and lending to customers increased by 10 to 15 per cent. But costs continued to rise in line with inflation and are expected to go up further in the second half as the Phase Three wage settlement takes effect.

The results were also affected by lower margins. Although the average base rate was slightly higher than in the second half of last year, it was well down from the first half and the margin between average base rate and average deposit rate narrowed further.

With increased contributions from the Californian and New Zealand operations and others the international earnings were "well maintained in the face of more competitive conditions and des*pite exchange movements affect*ing the translation of foreign currency working capital into sterling."

These movements reduced profits by £4.7m during the half-year, compared with £2.8m in the second half of 1977 and £4.9m in the first half.

Results Page 16

S. Pearson offers £39m to absorb subsidiary

By Andrew Taylor

S. PEARSON is offering £39m in shares and cash to buy the 36 per cent it does not already own in its publicly-quoted newspaper and publishing subsidiary, Pearson Longman.

The *terms are one* Pearson share plus 30p cash—or the equivalent of loan stock—for every Pearson Longman share. The deal values Pearson Longman at about £107m and the shares at 259p.

Before the offer was announced yesterday, Pearson shares had been suspended at 229p and Pearson Longman at 194p. The group is also offering 60p for every 5¼ per cent Preference Share and 80p for the 7 per cent Preference Stock.

Mr. Ben Strickland, director of merchant bankers Schroder Wagg, advisers to the minority shareholders of Pearson Longman, said that he was satisfied with the terms of the offer which he thought was "very fair." Lazard Brothers has advised Pearson.

The key to the timing of the offer is Pearson's ambition to *expand its business interests in* the U.S. Mr. Michael Hare, chief executive of S. Pearson, said last night that he felt it was the proper course to strengthen the links between Pearson Longman and the parent group, which had strong dollar cash balances.

He stressed however *that the* group had no particular U.S. acquisition in mind. Last year Pearson Longman failed in a £13m takeover bid for Wadsworth, a U.S. publishing concern.

S. Pearson holds around $70m (£37m) of investments in the U.S.—mostly portfolio investments—which would provide substantial asset backing should Pearson wish to raise loans to fund acquisitions.

Pearson Longman, which went public in 1967, has substantial newspaper and book publishing interests including the Financial Times, the Westminster Press chain of local newspapers, Penguin Books, Longmans and Ladybird. The subsidiary last year earned pre-tax profits of £21.4m compared with the parent company's profits of £45m.

Meanwhile S. Pearson has said that it intends—legislation permitting—to lift its dividends in the current year by just over 21 per cent.

S. Pearson said that attributable half-year profits could be around 20 per cent up while a higher profits increase is forecast *for Pearson Longman*.

Weather

UK TODAY

MAINLY DRY: coastal rain; sunny intervals.

London, Cen. England, Midlands
Dry, sunny period. Max 20-22C (72F).

E. Anglia, S.E., N.E. England
Dry, cloudy, sunny intervals. Max. 21C (70F).

Channel Islands, S.W., N.W. England, Wales
Fog, coastal drizzle, bright intervals. Max. 17C (63F).

Lakes, Isle of Man, Borders, Edinburgh, Dundee, Aberdeen, S.W. Scotland, Glasgow
Rain, bright intervals. Max. 17C (63F).

Highlands, N. Ireland
Cloudy, rain. Max. 16C (59F).

N.E. Scotland, Orkney, Shetland
Cloudy, rain. Max. 13C (55F).

Outlook: Showers, sunshine.

BUSINESS CENTRES

		Y'day midday °C	°F			Y'day midday °C	°F
Amsidm.	R	13	55	Luxemb'g	C	14	57
Athens	S	30	86	Madrid	S	30	86
Bahrain	S	41	106	Manchestr.	C	16	61
Barcelona	S	24	75	Melbourne	W	14	57
Beirut	S	30	86	Milan	SH	27	81
Belfast	C	14	57	Montreal	S	24	75
Belgrade	S	26	79	Moscow	C	20	68
Berlin	R	15	59	Munich	R	11	52
Brmghm.	C	17	63	Newcastle	F	14	57
Bristol	C	15	64	New York	H	28	82
Brussels	C	17	63	Oslo	R	14	57
Budapest	R	16	61	Paris	C	18	64
B. Aires	C	15	59	Perth	R	5	46
Cairo	S	33	93	Prague	C	16	61
Cardiff	F	17	63	Reykjavik	F	13	55
Chicago	C	23	73	Rio de J'o	R	21	70
Cologne	F	16	61	Rome	S	26	79
Copnhagn.	F	17	63	Singapore	S	28	82
Dublin	C	15	59	Stockholm	F	15	61
Edinburgh	C	15	59	Strasbrg.	C	14	57
Frankfurt	F	16	61	Sydney	F	18	64
Geneva	C	15	64	Tel Aviv	S	29	84
Glasgow	S	16	61	Tokyo	R	27	81
Helsinki	F	18	64	Toronto	R	22	72
H. Kong	S	32	90	Vienna	R	16	61
Jo'burg	S	19	66	Warsaw	C	14	57
Lisbon	S	25	77	Zurich	C	14	57
London	C	18	64				

HOLIDAY RESORTS

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	24	75	Jersey	F	18	64
Algiers	S	31	88	Las Plms.	F	25	77
Biarritz	C	20	68	Locarno	F	25	77
Blackpool	F	16	61	Majorca	F	27	81
Bordeaux	C	20	68	Malaga	S	25	77
Boulogne	C	16	61	Malta	S	25	77
Cape Town	S	16	61	Nairobi	S	20	68
Corfu	S	28	82	Naples	F	25	77
Dubrovnik	S	26	79	Nice	S	24	75
Faro	S	25	77	Oporto	F	19	66
Florence	F	26	79	Rhodes	S	31	88
Funchal	S	21	70	Salzburg	C	12	54
Gibraltar	S	22	72	Tenerife	S	34	93
Guernsey	F	15	59	Tunis	S	29	84
Innsbruck	C	15	59	Valencia	F	26	79
Inverness	C	13	55	Venice	F	24	75
Isle of Man	C	14	57				

C—Cloudy. F—Fair. H—Hazy. R—Rain. S—Sun. W—Windy.

General and aide murdered in Spain

By Jimmy Burns

MADRID, July 21.

AN ARMY general and his aide were assassinated this morning as the Spanish Parliament moved towards final approval of Spain's first democratic constitution for more than 40 years.

This was the first time since the Spanish Civil War that army officers have been chosen as targets for political assassination. There was growing speculation here today that the killings may have been aimed at throwing off course the country's gradual transition from dictatorship towards full democracy.

General Juan Sanchez Ramos Izquierdo and his aide, Lieut. Colonel Juan Perez Rodriguez, were killed by three assassins in an area of Madrid where many military officers live.

Gen. Izquierdo was head of the armaments department of *the Spanish military, but is not* known as a prominent public figure.

It seems likely that both he and his aide were killed not so much because of who they were but of what they represented: the institution of the Spanish armed forces, which following a close relationship with the Franco regime has continued to keep a watchful eye on Spain's difficult political process.

This theory was reflected in the speeches of the country's chief political leaders in the Cortes *(Parliament) this* morning that followed a meeting between Sr. Adolfo Suarez the Prime Minister, and his cabinet, including Gen. Guiterrez Mellado, the Defence Minister.

Sr. Suarez told Parliament in a *televised speech*: "I would like to remind you that whenever we have been at the point of entering a new phase in this political process . . . terrorism has intervened with the exclusive and essential end of terrorising the country and of breaking the confidence of the Government."

The killing was unanimously condemned by the main political parties, as well as the main trade unions.

The parties' statements temporarily interrupted a three-week-long debate on the constitution, which has been mainly academic but often divisive.

All parties, in particular the Spanish Communist Party, went out of their way to express solidarity with the dead officers. This appeared to be an attempt to defuse the possibility of a negative reaction by the army to the killings.

● The text of the Spanish constitution was approved today by Congress.

THE LEX COLUMN

The Treasury and dividend cover

An explanatory statement on the Government's new profit-linked dividend concession was not produced in time to be issued along with yesterday's White Paper and dividend control bill. Until it turns up on Monday or Tuesday (and perhaps even after it has appeared) there will be a large degree of uncertainty *about how* the Treasury will interpret the new rules on cover. To add to the confusion there is no clear political indication on whether the legislation will actually get on to the Statute Book.

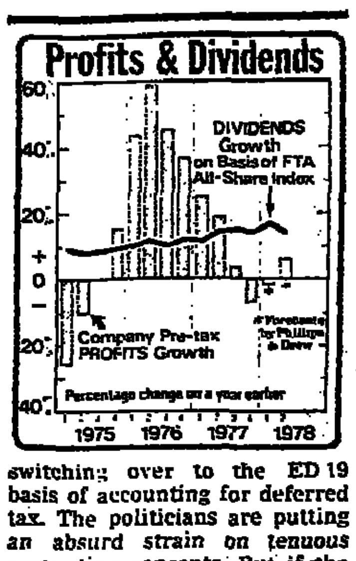
The new rules are clumsily worded, but they are clear enough to suggest that the market may have been too enthusiastic in its initial response: the broad F.T.-Actuaries Indices, including the All-Share, reached new 1978 highs yesterday. True, there is some *relief in that the* 10 per cent basic dividend limit is to continue, for there were fears that it would be trimmed to 5 per cent in line with the pay guidelines. The dividend cover safeguard, however, is far from being a generous concession, for it looks as though only a comparatively small minority of companies will be in a position to take advantage of it.

Those companies achieving rapid profits growth this year will be able to raise their dividends in line with earnings—but only if cover reached a level last year which was higher than for any other year in the period stretching back to 1972 when dividend controls began. This means, for example, that BP will not be able to boost its payout by more than 10 per cent for it is very unlikely that cover will get near the freak 7.2 times recorded in 1974. It also means that any company which has sharply raised its payout by *using other loopholes* (like rights issues) in the past few years is likely to be held back by earlier high cover.

Brokers Phillips and Drew estimate that 70 per cent of large companies will be held to 10 per cent dividend growth in the coming year, either because past cover has been higher or because earnings will grow by less than a tenth anyway. For the more fortunate 30 per cent the median rise is likely to be some 20 per cent. This means that the new concession will add, on average, only about 3 per cent to dividends as a whole.

Of course, there is going to be scope for all sorts of accounting fun, especially for companies switching over to the ED 19 basis of accounting for deferred tax. The politicians are putting *an absurd strain on tenuous* accounting concepts. But if the proposals go through dividends may grow at only about 15 per cent during the next year. That is a far cry from the 25-30 per cent which had been expected in the event of the complete abolition of dividend controls.

Index rose 8.8 to 479.2



Lloyds Bank

Down 15 per cent, Lloyds Bank's interim pre-tax profits of £76.5m were roughly £10m below expectations and Lloyds' shares closed 8p lower at 265p. Other clearing banks shares dipped in sympathy. While disappointing, there seems to have been no fundamental change in Lloyds' underlying performance which could give cause for alarm and it *only goes* to show what a dicey business forecasting clearing bank profits can be.

In 1977 it was the international side which provided the real profit momentum. Indeed, the contribution of the international operations now accounts for 50 per cent of group profits. However, there was virtually no growth in international profits in the latest half. Loan volumes are holding up well but margins in the Eurodollar market (where LBI has been aggressively bidding for business) have fallen sharply.

At home the picture has been an even worse one of sluggish lending, higher costs and lower net interest revenues. An average base rate of 7.44 per cent was nearly a third lower than in the comparable half year and unlike one or two other clearing banks, such as Midland, Lloyds has not been chasing after loan volume.

In the current half year the outlook is much better. Base rates now stand at 10 per cent, Lloyds has recently widened its margins, and was the first clearer to announce higher bank charges. However, Lloyds has to face up to the corset, and having just agreed to a 10 per cent wage increase (costing an extra £15m in a full year) it may be hard pressed to do much better than match last year's profits of £166.2m.

Negretti row

A row is developing among City financing institutions following yesterday's announcement that the NEB is to put up £1.2m of finance and take a stake in Negretti and Zambra. It appears that Negretti, capital*ised at only £1.8m, approached* both Equity Capital for Industry and the NEB about six months ago for discussions about raising further long-term finance. At ECI it is said that talks got as far as the chief executive, Mr. Alan Barratt, before Negretti said it preferred the NEB's approach. Behind this decision is said to have been a feeling that ECI was more interested in the financial aspects of the deal than in Negretti's ideas for product development.

Negretti's chairman, Mr. Bob Ford, said yesterday that discussions with ECI were terminated several months ago in a letter. Not so, claims ECI's Mr. Barratt. His understanding was that Negretti was still on ECI's *books. The NEB involvement* came as a complete surprise.

ECI appears to be particularly upset by the fact that ICFC—whose parent, Finance For Industry, has a stake in ECI—had acted as Negretti's joint adviser without apparently informing it of the NEB discussions. It also seems to think that Prudential Assurance, which has a stake in Negretti and one of whose executives, Mr. Peter Moody, sits on the ECI board, might have acted differently.

Whatever the truth of this affair it seems odd that ICFC did not consider seeking a solution to Negretti's financing needs jointly with ECI—as it was said it would in such cases. It is also worth recalling that it was less than two years ago that the City went out of its way to seek a private sector solution to Dunford and Elliott's problems, rather than let it go to the NEB.

Continued from Page 1

Ceiling of 5% on pay rises

It is unlikely, however, that workers in sectors where there is little union organisation will be able to press their opportunity—although wages councils, which are statutorily exempt, will be able to make higher-than-average awards.

Union leaders said that the exemption was more political than practical in effect.

The majority Labour view is that the party will strengthen its position with voters by committing itself in advance to a tight counter-inflation policy and has secured a firm base from which to attack Conservative ambiguities on the subject.

The argument runs that most people, while resenting curbs for themselves, are all in favour of moderation for others.

Government supporters were pointing out that, with the possible exception of Ford, there are no major settlements due before mid-October, the most likely election date.

In the Commons, Sir Geoffrey Howe, shadow Chancellor, said that the Opposition fully endorsed the need for realism, moderation, and responsibility on pay. But the stage four proposals were too rigid to allow progress *towards restoring differentials*.

Attacked

He attacked the plan to continue the threat of sanctions against companies ignoring the guideline as distorting and constitutionally improper. The Government had brought forward a programme for continued restraint on the economy.

The Opposition regretted the decision to continue *statutory dividend restraint*, which represented a real and continued threat to the pension prospects of millions of working people.

Serious

But, more serious for Ministers was Left-wing hostility, epitomised by a scathing attack from Mr. *Norman Atkinson, the* Tribunite MP for Tottenham. The package was bad politics and bad economics, which would benefit only the Tories At one point, some Left-wingers were even threatening not to support the Government in next week's Commons debate on the paper, if the motion on the Order paper specifically mentioned the 5 per cent figure

But, with extreme care, *Government managers have drafted* a formula for Tuesday which merely urges the need for a further sustained national effort to combat inflation.

Although the Tories will vote against the motion, a united Labour turnout, backed by the Liberals, will ensure Government victory.

By contrast, the dividend control Bill looks a far less sure proposition. With the Liberals declaring opposition, the Government would seem to be facing narrow but well-nigh certain defeat on Thursday when it is debated.

However, senior Ministers still are genuinely hopeful that enough MPs from minority parties either might abstain or be absent so that the Bill might just be carried.

If it is, it will go to the Lords for consideration on Friday and the following Monday.

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